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4 FINANCIAL INDUSTRY REGULATORY AUTHORITY
5 (FINRA)
6 DEPARTMENT OF ENFORCEMENT
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In the Matter of:

7

CITIGROUP SUBPRIME

8

Testimony of:

9

JAMES XANTHOS

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11

14 Wall Street
New York, New York

12

March 24, 2009
10:10 a.m.

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A P P E A R A N C E S:

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For the Department of Enforcement:

16

JEANNE ELMADANY, ESQ.,
Senior Trial Counsel

17

MARC MINOR, ESQ.,
Senior Counsel

18

For the Witness and Citi:

19

PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP
1285 Avenue of the Americas
New York, New York 10019

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BY: SUSANNA M. BUERGEL, ESQ.
- and -
PHILIP KOPCZYNSKI, ESQ.

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3 MS. ELMADANY: We are on the record.

4 It is Tuesday, March 24th, 2009.

5 It's approximately 10:10 a.m., and if the
6 reporter would be good enough to swear the witness.

7 J A M E S X A N T H O S,

8 having been first duly sworn by the Notary

9 Public, was examined and testified as

10 follows:

11 EXAMINATION

12 BY MS. ELMADANY:

13 Q Mr. Xanthos, would you please state your
14 full name for the record.

15 A James Xanthos.

16 Q Thank you.

17 My name is Jeanne Elmadany. I'm a Senior
18 Trial Counsel with the Department of Enforcement of
19 FINRA.

20 Joining me later will be Mr. Marc Minor,
21 who is also counsel with -- an attorney in the
22 Enforcement Department of FINRA. Either one of us
23 may ask you questions today.

24 Mr. Xanthos, I'll note for the record
25 that you're represented by counsel.

1 Xanthos

2 Am I correct?

3 A Yes.

4 MS. ELMADANY: Would counsel enter their
5 appearance for the record, please.

6 MS. BUERGEL: Susanna Buergel from Paul,
7 Weiss, Rifkind, Wharton & Garrison, 1285 Sixth
8 Avenue, New York, New York.

9 MR. KOPCZYNSKI: Philip Kopczynski, also
10 from the Paul, Weiss law firm.

11 MS. ELMADANY: The staff will note that
12 counsel has represented other persons before FINRA
13 in this matter, and have you discussed with your
14 client the matter of your multiple representation?

15 MS. BUERGEL: We have.

16 Q Mr. Xanthos, are you prepared to continue
17 with your testimony today with the knowledge that
18 your counsel represents other persons or entities
19 before FINRA in this matter?

20 A Yes, I am.

21 Q Ladies and gentlemen, if at any time you
22 perceive that a conflict has arisen or may arise
23 please inform the staff and in which case,
24 Mr. Xanthos, you will be given the opportunity to
25 seek alternate or additional representation as you

1 Xanthos

2 wish.

3 The purpose of this proceeding is to
4 determine whether there have been any violations of
5 federal securities laws or NASD or FINRA rules. At
6 this point the staff has not made any determination
7 as to whether there have been any such violations.

8 (Pause.)

9 MS. ELMADANY: We're back on the record
10 after a brief recess during which there were no
11 conversations of substance between Mr. Xanthos, the
12 staff and his counsel.

13 MS. BUERGEL: That's correct.

14 MS. ELMADANY: However, during that brief
15 interlude Mr. Minor did join us and Mr. Minor will
16 now be participating in the proceeding.

17 Q Your appearance and testimony today,
18 Mr. Xanthos, were requested under NASD Rule 8210
19 under the FINRA Code of Procedure. Rule 8210
20 requires you to answer the staff's questions and
21 answer them truthfully.

22 Failure to answer any of our questions
23 completely and truthfully, or failure to provide any
24 information requested by the staff, could be viewed
25 as inconsistent with Rule 8210 and could be the

1 Xanthos
2 basis for the initiation of a disciplinary
3 proceeding that could lead to the imposition of
4 sanctions, including a bar from the industry,
5 suspension, censure and/or fine.

6 Do you understand that?

7 A I do.

8 Q Thank you.

9 You were sent a letter that scheduled
10 your testimony today and we will mark that as an
11 exhibit later in the proceedings.

12 Mr. Xanthos, you were sworn under oath
13 today. Thus, you are to answer all questions
14 truthfully. Giving false answers could lead to your
15 prosecution for perjury.

16 Do you understand?

17 A I do.

18 Q Are you suffering from any medical
19 condition or using any medications or other
20 substance that would interfere with your ability to
21 testify truthfully and accurately?

22 A No.

23 Q Is there any other reason you would not
24 be able to understand and answer our questions
25 today?

1 Xanthos

2 A No.

3 Q The staff controls the record. That
4 would be Mr. Minor and myself. The court reporter
5 will only go off the record at our instruction.

6 If you would like to go off the record
7 for any reason please address your request to one of
8 us and if appropriate we will instruct the reporter
9 to go off the record.

10 If at any time you wish to consult with
11 your counsel please let us know. The court reporter
12 will not go off the record unless the staff
13 instructs the reporter to do so, and we don't want
14 your private conversations to be recorded.

15 From time to time we will go off the
16 record. After we go back on the record one of us
17 will ask you if you have had any discussions of
18 substance with the staff of the Enforcement
19 Department about the matter at hand while we were
20 off the record. Please respond as appropriate. And
21 we've already done that in this matter.

22 Please answer each question with an
23 audible response because the court reporter cannot
24 record physical gestures. You should also say yes
25 or no. The record will not be clear if you say

1 Xanthos

2 uh-huh or uh-uh or give some other utterance that's
3 supposed to be in the positive or the negative.

4 Please allow us to finish the question
5 before you start your answer even if you think you
6 know what the question is going to be just so that
7 the record will be clear.

8 If you use a word or a person's name that
9 you think has a difficult or unusual spelling and
10 you can provide it for us we would appreciate that.

11 If you do not understand a question
12 please say so and we'll rephrase it or we'll discuss
13 it with you until we come to a common understanding
14 of the question so that when you give your answer
15 it's recorded as an answer to a question we all
16 understand.

17 Do you understand that?

18 A I do.

19 Q Okay.

20 You may remember additional information
21 after answering a question that would make your
22 earlier response more accurate. Please let us know
23 so you could have the chance to answer fully.

24 We may show you some exhibits during this
25 testimony. The staff will retain all copies of the

1 Xanthos

2 exhibits so you and counsel should not mark on the
3 exhibits we provide for you to look at.

4 You may review your transcript and the
5 exhibits to the transcript at a local FINRA office.
6 Should you wish to do so, please inform us and we
7 will make the appropriate arrangements.

8 You may also request that the staff
9 permit you to purchase a copy of the transcript.
10 Please make this request in writing and the staff
11 will respond as appropriate.

12 The court reporting service will not
13 permit you to purchase a copy of your testimony
14 unless the staff gives permission for such release.

15 If permission is granted for you to
16 purchase a copy of your testimony you will not be
17 provided with copies of the exhibits to the
18 transcript. Exhibits are maintained by the staff
19 and may only be viewed at FINRA offices.

20 Please inform the staff promptly and in
21 writing if you determine that there is any
22 inaccuracy in the transcript of your testimony.

23 Are we good so far?

24 A Yes.

25 Q Have you reviewed any documents or

1 Xanthos

2 electronic media in preparation for your testimony
3 today?

4 A No.

5 Q Do you have any questions about any of
6 the things I've said to you so far?

7 A No.

8 Q Have you discussed your appearance here
9 today with anyone other than counsel?

10 A No.

11 MS. BUERGEL: Just so the record is
12 clear, I think we did look at a couple of documents
13 and I can represent those documents have been
14 produced to the staff.

15 Just -- I think it may have slipped your
16 mind when you were asked if you looked at anything
17 in preparation.

18 MS. ELMADANY: Thank you.

19 Q Have you discussed the subject matter of
20 this investigation with any other regulators?

21 A No.

22 Q Please describe your employment history.

23 A Can you please -- is that from a certain
24 date --

25 Q Post college.

1 Xanthos

2 A I worked for the Office of Thrift
3 Supervision as a bank examiner from January of 1990
4 to I would say July of 1993.

5 Then I went back to school to get my
6 MBA. I got my MBA from Fordham University. That
7 was in 1995. In May or June of 1995.

8 Then I went to work for PaineWebber in
9 their credit department from 1996 until 1999.

10 I left PaineWebber and I was employed by
11 Credit Suisse First Boston also in the credit group
12 from 1999 till 2004, and I was employed by Citigroup
13 from 2004 till August of 2008.

14 Q What did you do between the MBA and
15 PaineWebber?

16 A Really looking for a job.

17 Q What did you do at OTS?

18 A Bank examiner for thrifts in the
19 northeast. For the most part New York City, the
20 five boroughs, and certain financial institutions in
21 New Jersey.

22 Q Did your work as a bank examiner for OTS
23 in any way involve reviewing mortgage loans?

24 A Yes.

25 Q How did it involve reviewing mortgage

1 Xanthos

2 loans?

3 A We would do compliance exams as well as
4 underwriting, look at -- underwriting loans based on
5 the institutions' underwriting guidelines.

6 The major part of being an examiner, you
7 had to rate the institutions' macro factors, which
8 are management, operations, risk management,
9 capital, so you analyze the banks' performance in
10 each one of those categories and provide a rating
11 against it.

12 Q When you said you did both a compliance
13 and an underwriting review with respect to mortgage
14 loans, what is the compliance review?

15 A Well, it was truth in lending, Reg Z,
16 community reinvestment act.

17 Q What did you mean when you said that you
18 did an underwriting review?

19 A Again, looking at the companies'
20 underwriting guidelines for mortgage loans and
21 seeing how they underwrote those loans, and
22 determining whether they fell into compliance with
23 the guidelines that the board of directors of the
24 institution had approved.

25 Q So when you say the company, you mean the

1 Xanthos

2 bank?

3 A The bank.

4 Q When you talk about ratings with regard
5 to risk management, what did that mean?

6 A It's an aggregate rating. Interest rate
7 risk was a big component to a thrift's operation, so
8 really how they manage their interest rate risk.

9 Q Then you got your MBA at Fordham, and
10 then you went to PaineWebber in credit.

11 A Yes.

12 Q How did you come to work at PaineWebber?

13 A Well, again, I had pretty good background
14 in terms of reviewing credit as well as
15 understanding financial institutions, so that helped
16 me get -- to get a credit job at PaineWebber.

17 Q Did you know someone at PaineWebber?

18 A No.

19 Q Did you go through a headhunter?

20 A No. Just saw an ad and applied for it.

21 Q What were your duties in credit at
22 PaineWebber?

23 A It was to look, determine funding
24 facilities as well as trading lines with the
25 banks -- with the firms' counterparties.

1 Xanthos

2 Q Determine funding facilities. What does
3 that mean?

4 A Lines of credit. So if a -- a lending,
5 really, a lending relationship.

6 If -- one example: If a mortgage bank
7 wanted to obtain a warehouse line to originate
8 mortgages, that credit would be proposed from the
9 business unit and credit would have to determine
10 whether or not, based upon the financial information
11 and data that was provided, whether the account was
12 creditworthy.

13 Q What did you mean by determining funding
14 with respect to trading lines?

15 A Again, a lot of companies would trade
16 to -- would trade in terms -- really in my purposes
17 to trade or hedge against interest rate risk, or
18 they would enter into currency transactions, again,
19 to hedge their potential risk against market
20 movements against their positions.

21 Q Who was entering into those positions?
22 The traders at PaineWebber?

23 A No. It was really the counterparties.
24 It could be a bank that wanted to hedge
25 their interest rate risk.

1 Xanthos

2 Q So this was -- you're evaluating the
3 credit of outside entities to trade with
4 PaineWebber?

5 A Yes.

6 Q During the time that you were at
7 PaineWebber did your duties ever change in that
8 three or four-year period?

9 A No.

10 Q Did you ever take on any additional
11 responsibilities or duties?

12 A Not that I recall.

13 Q Then you went to Credit Suisse?

14 A Yes.

15 Q How did you come to go to Credit Suisse?

16 A Really, a headhunter recruited me to
17 Credit Suisse. They needed experienced credit
18 people, and I fit their requirements.

19 Q What were your duties at Credit Suisse?

20 A Well, I was -- it was similar to what I
21 had done at PaineWebber, except it was more of on a
22 global basis, dealing with trading and funding
23 facilities to the firm's counterparties.

24 Q What was more global about it?

25 A Established -- well, we approved

1 Xanthos

2 counterparties in Europe, in Asia, Australia.

3 Again, it was much more than just the
4 domestic American marketplace.

5 Q While you were at Credit Suisse did your
6 duties and responsibilities ever change?

7 A I don't think they really changed. Just
8 as the market evolved, nothing really changed in any
9 way.

10 New products, new types of funding
11 facilities, things like that.

12 Q What did you mean as the market evolved?
13 You alluded to some new products, et cetera.

14 A Again, there are new techniques in terms
15 of hedging, new techniques in terms of funding.
16 Again, more efficient.

17 It could be new products that were
18 introduced, things like that.

19 Q So when a new product was proposed, did
20 you evaluate the product?

21 A Not really. We evaluated the
22 counterparty, and as long as the counterparty was
23 creditworthy and was properly using the trading line
24 or the funding line for purposes of its business,
25 that's what we were looking for.

1 Xanthos

2 Q What do you mean by properly using the
3 trading line or the funding line?

4 A Let's just use an interest rate risk
5 product. That they were using the product to hedge
6 a particular risk that they had on their balance
7 sheet. That they weren't basically speculating.

8 Q Okay.

9 How did you -- why did you leave Credit
10 Suisse?

11 A Just had a better opportunity to go to
12 Citibank.

13 Q How did you come to work at -- there's a
14 certain repetition to these questions. It's
15 unavoidable.

16 How did you come to work at Citigroup?

17 A Again, a recruiter.

18 Q What were your duties and
19 responsibilities at Citi?

20 A At Citibank I worked in the principal
21 finance group and I also worked in the mortgage
22 finance group.

23 Q Which came first?

24 A The principal finance group for the first
25 two years and then the last two years the mortgage

1 Xanthos

2 finance group.

3 Q Tell me about your work in the principal
4 finance group. What were your duties?

5 A For the most part we had established --
6 we were establishing a middle market program, and we
7 also were -- we also negotiated lines of credit with
8 potential counterparties with Citigroup.

9 Q Let me take the first part of that
10 first. What does establishing a middle market
11 program mean?

12 A There are -- there are middle market
13 companies, and I'll explain that to you, revenues
14 between 50 million and 500 million dollars on a
15 yearly basis, and there were a -- a lot of these
16 companies need financing and they also have debt
17 that they have issued, so our group, we started from
18 scratch. We had developed a program in which we
19 would both provide funding as well as buying debt
20 that was issued by these companies.

21 Q What happened to the debt you bought?

22 A Investment.

23 Q It was a Citigroup investment?

24 A It was an investment that our group made.

25 Q The principal funding group?

1 Xanthos

2 A Exactly, with that entity.

3 Q So once the principal funding group
4 bought the debt, then it just held it?

5 A For the most part, yes.

6 Q When it didn't just hold it then it did
7 what with it?

8 A It would sell it.

9 Q Did it sell it in the same form that it
10 bought it or did it sell it in some metamorphosized
11 form?

12 A For the most part we would either sell
13 the loan or the debt instrument, or we would issue a
14 securitization against the middle market loans as
15 well.

16 Q Then the second thing you said that the
17 principal funding group --

18 A Principal finance group.

19 Q -- principal finance group did was
20 negotiate lines of credit with potential
21 counterparties with Citigroup. What did you mean by
22 that?

23 A Well, you would have middle market
24 companies that needed lines of credit to go out and
25 basically originate their own loans, so we would

1 Xanthos

2 provide them with lines of credit in order for them
3 to be able to do that.

4 Q And was there a particular industry or
5 sector that these middle market companies were in?

6 A No. Again, it depended on the company's
7 focus and their own business plan, but it ran the
8 gamut of industry in the United States.

9 Q Just so I understand it, I guess in my
10 mind I wanted to segregate mortgages somehow in my
11 mind, so I'm trying to understand whether or not the
12 principal finance group was buying mortgages of any
13 kind or the debt of companies that made mortgages?

14 A I don't recall specifically if, you know,
15 there were scenarios where they purchased
16 mortgages. I don't think that was the norm, but I
17 can't say for sure that they didn't buy any mortgage
18 product.

19 Q Okay.

20 A Again, it was really, it was purchasing
21 debt from middle market companies.

22 Q Regardless of what they did?

23 A Well, you would look at the -- you would
24 have to make a determination of whether the debt fit
25 your profile as to the program.

1 Xanthos

2 Q So in my mind I can say comfortably it
3 wasn't specifically mortgages or primarily
4 mortgages?

5 A That's correct.

6 Q When you were -- when the principal
7 finance group was making a determination to purchase
8 the debt of a particular middle market company, how
9 did you go about doing -- making that
10 determination?

11 How was that done?

12 A You would do a credit analysis of the
13 company and its place within its industry, and you
14 would look at the financial statements, balance
15 sheet, income statement, cash flow statements, as
16 well as meet with the company, meet with their
17 management teams, and determine, you know, determine
18 if they were creditworthy or investment worthy.

19 Q Was there a review that was done or was
20 there a process of making the determination also
21 whether to provide lines of credit to a middle
22 market company?

23 A Yes.

24 Q How was that done?

25 A That was done by the credit department

1 Xanthos

2 that we had within Citigroup.

3 Q So it was not the principal finance group
4 that determined whether or not to provide a
5 potential counterparty with a line of credit?

6 A Well, normally the process is that you
7 have a credit department that is there to do their
8 own analysis. Now, the business unit would have to
9 know their client and would basically have to
10 propose that that -- the counterparty was -- that
11 they were -- why they wanted to do business with
12 that counterparty, so -- but in terms of the
13 analysis of whether to do and the approval as to
14 whether to approve or deny credit would be with the
15 credit department.

16 Q So the principal finance group was a
17 business group, it wasn't the credit group or
18 something like it that you had been in previously?

19 A That's correct.

20 Q So principal finance proposed a
21 counterparty to credit and credit did the analysis?

22 A Exactly.

23 Q With respect to the investments by the
24 principal finance group, though, that analysis was
25 done in principal finance?

1 Xanthos

2 A It was, and then basically it would go to
3 a committee and it would be voted on.

4 Again, all in conjunction with the
5 established program guidelines that were initially
6 set up.

7 Q I think I'm getting this.

8 So in the principal finance group, what
9 was your position?

10 A I was a vice president.

11 Q To whom did you report?

12 A Jamie Visconti.

13 Q Was that when you started there?

14 A Yes.

15 Q And throughout your time there or did the
16 person you reported to change at some time?

17 A It changed after the first two years when
18 I moved into the mortgage finance group.

19 Q While you were in the principal finance
20 group did you have anyone that you supervised or who
21 worked for you?

22 A Not in terms of formal, say,
23 organizational chart.

24 Q When you worked with a potential middle
25 market company, were you the only person from the

1 Xanthos

2 principal finance group who had contact with that
3 company or did others in principal finance have
4 contact as well?

5 A Others as well.

6 Q What would determine who else would have
7 contact with a company you were working with?

8 A It depended on, really, who was assigned
9 to that company. Based upon their work load at the
10 time.

11 Q So am I correct in understanding that the
12 groups of people you worked with changed from
13 assignment to assignment?

14 A That's correct.

15 Q Was there -- I'm just trying to get an
16 organizational understanding.

17 Was there a particular group of middle
18 market companies that you worked with as opposed to
19 someone else working with a group?

20 A I would say yes.

21 Q How was that divided or arranged?

22 A It comes back to just your work load at
23 that point in time, and if you had come to -- if you
24 had gained knowledge with that particular
25 counterparty.

1 Xanthos

2 Normally the process would be that you
3 would stay with that account but it doesn't have to
4 be.

5 Q So the first day you got there you didn't
6 have any relationships with these counterparties; am
7 I correct?

8 A That's correct.

9 Q So how did you -- how did you get an
10 assignment? Was it through Mr. Visconti?

11 A It could be through Mr. Visconti or other
12 people, yes.

13 Q Who else besides Mr. Visconti assigned
14 work to you?

15 A It could be an investment banker who had
16 known the account that the account was looking for
17 let's say funding which would come to me.

18 Q So if an investment banker said I know
19 this account and they are looking for funding, what
20 would happen then?

21 A Basically a lot of the things that we
22 talked about before.

23 You would basically talk with the
24 potential counterparty. If they were a public
25 company you would access their financial statements

1 Xanthos

2 for the past couple of years.

3 You would look at them to try to get an
4 understanding of what they did, how they did it and
5 their standing within the financial community and
6 the industry as a whole.

7 From there you would look at the proposed
8 terms let's say for the financing, and you would
9 determine whether you would -- it was an account
10 that you would be willing to further engage in.

11 Q Two things about that: Was there
12 somebody you reported to who you told what you were
13 working on at any given time?

14 A Sure. It was -- we would have weekly
15 group -- well, it would be Jamie Visconti and other
16 people on our team, and that could be a daily basis
17 and definitely on a weekly basis because we would
18 have weekly meetings where we would discuss who we
19 were doing business with or potentially doing
20 business with, things such as that.

21 Q Were there other people who performed the
22 same functions that you did regardless of their
23 title in the principal finance group?

24 A Yes.

25 Q How many? How big of a group of people

1 Xanthos

2 are we talking about?

3 A The group from what I recall, I would say
4 probably about eight to nine people in the group.

5 Q Was that people at your level, people
6 beneath you, above you?

7 A Both.

8 Q That's the whole ball of wax, eight or
9 nine people?

10 A From what I recall, yes.

11 Q You said one of the things you did was
12 you -- I'm paraphrasing here, I'm not going to get
13 the words exactly right -- but you reviewed the
14 proposed financing terms. How did you learn what
15 the proposed financing terms were?

16 A Normally there would be a term sheet
17 which would spell out. Normally it would be the
18 investment banker or the person that had known what
19 the company was -- the initial introduction.

20 Q So if it was introduced or the idea was
21 brought to you by an investment banker they would
22 have prepared a term sheet?

23 A Normally that was the process, yes.

24 Q What's a term sheet in this context?

25 A As you said, it basically outlines the

1 Xanthos

2 financing proposal.

3 Q Did your work or the type of duties you
4 had in the principal finance group change at any
5 time during the two years that you were there?

6 A Not that I recall.

7 Q Once the principal finance group had made
8 an investment, once it had bought the debt of one of
9 these middle market companies, how was it determined
10 whether that was something that would be held or
11 sold as -- in the form it had been bought or
12 securitized?

13 How did that occur?

14 A Really by committee.

15 Q Who was this -- who comprised this
16 committee?

17 A There were about I would say five to six
18 people on this committee.

19 Q Who were they? If not -- names if you
20 know but their functions or titles if you don't know
21 their names.

22 A There was -- it's a couple of years back.

23 Q Names might be easier at this point.

24 A Let me see. Let me try to remember.

25 Myself. I was on this committee.

1 Xanthos

2 A person by the name of Ted Yarlborough
3 was on this committee.

4 Kyle Sliger was on this committee.

5 John Palowski.

6 John Eck.

7 Martin Lifschitz.

8 How many is that?

9 Q Six.

10 A I think that's the extent of it.

11 Q Was Mr. Yarlborough part of the principal
12 finance group?

13 A No.

14 Q What was he part of?

15 A The ABS group, asset backed
16 securitization.

17 Q Was principal finance group part of ABS?

18 A No.

19 Q Kyle Sliger, was he part of principal
20 finance?

21 A Yes, he was.

22 Q What was Mr. Sliger's job in principal
23 finance?

24 A I would say portfolio manager for the
25 middle market program.

1 Xanthos

2 Q John Palowski?

3 A Was in credit at that time.

4 Q John Eck?

5 A Was in the ABS group as well.

6 Q Martin Lifschitz?

7 A Principal finance.

8 Q What was Mr. Lifschitz's job in principal
9 finance?

10 A It was a director in principal finance.

11 Q Was a director higher than a VP?

12 A Yes.

13 Q Was a director higher than Mr. Visconti?

14 A No.

15 Q Was Mr. Lifschitz Mr. Visconti's boss?

16 A No.

17 Mr. Visconti was basically all of our
18 bosses.

19 Q So it's Visconti, Lifschitz, you?

20 A Yes, and Sliger.

21 Q You and Sliger were parallel?

22 A Yes.

23 Q On the same level?

24 A Yes.

25 In the beginning, yes.

1 Xanthos

2 Q When you started, if I was going to do an
3 organizational chart, it would be Visconti,
4 immediately under him was Mr. Lifschitz, and
5 immediately under Lifschitz was yourself and Sliger?

6 A Yes.

7 Q Then you indicated something changed?

8 A I moved out of that group as I said
9 before. After that I don't recall in great depth
10 how things changed.

11 Q Then I really don't care about principal
12 finance so it doesn't matter.

13 So there was a committee. Did the
14 committee have a name?

15 A I don't recall the name of the committee.

16 Q Was there more than one committee?

17 A Not that I'm aware of, no.

18 Q If we just call it the committee we're
19 fine with that?

20 A Should be, yes.

21 Q We can call it the principal finance
22 group committee. We can --

23 A Let's call it the middle market
24 committee.

25 Q The only reason we need to pick a name

1 Xanthos

2 here, and we can find out if it had an official
3 title, is if we come up with another committee we
4 won't confuse the two.

5 What did the middle market committee do?

6 A Like I said before, basically it would
7 vet potential investments. I would imagine after
8 the fact would determine what to do with those
9 investments, whether to retain them, sell them.

10 Q Did you ever participate in a committee
11 meeting or function where you vetted potential
12 investments?

13 A Oh, yes.

14 Q Did you ever participate in a middle
15 market committee function where determinations were
16 made as to what to do with those investments?

17 A No. That was after my time.

18 Q Were there any principal finance group
19 investments that were in some form disposed of while
20 you were in the principal finance group?

21 A Not that I recall, no.

22 Q So it's not like you missed a meeting or
23 something, it just didn't happen?

24 A Like I said from what I recall, I don't
25 remember that.

1 Xanthos

2 Q Then you went from the principal finance
3 group to the mortgage finance group?

4 A That's correct.

5 Q Why did you go from mortgage -- from
6 principal finance to mortgage finance?

7 A Really, again, looking to just focus in
8 on one asset type, and I had done as we discussed
9 before, I had done mortgages from early on in my
10 career, so the -- I just had the opportunity to go
11 into the group and basically helped them run the
12 business which appealed to me as well, so that's
13 basically how I got there.

14 Q We're up to the mortgage finance group.
15 When you first joined the mortgage finance group
16 what was your title?

17 A Same. Vice president.

18 Q Who was your boss?

19 A Susan Mills.

20 Q Did you have anyone who reported to you
21 or worked for you?

22 A I did. I had two analysts who were
23 reports to me.

24 Q Who were they?

25 A Peter Engel, and Joseph Ng, N-g.

1 Xanthos

2 Q How do you spell Engel?

3 A E-n-g-e-l.

4 Q What were your duties and
5 responsibilities as a VP in the mortgage finance
6 group?

7 A Well, I basically took over the
8 surveillance/portfolio management function within
9 the group.

10 Q Who had been performing the portfolio
11 management/surveillance function in the group before
12 you got there?

13 A I'm not sure.

14 Q Was there a surveillance function in the
15 mortgage finance group before you got there?

16 A I believe so.

17 Q Did you get some -- why do you believe
18 so?

19 A I remember people saying that.

20 Q Who said that?

21 A I don't recall who exactly said it.

22 Q So somebody told you there was a
23 surveillance function in mortgage finance before you
24 got there?

25 A There were people who were doing it,

1 Xanthos

2 yes.

3 Q Were they doing it when you got there?

4 A I don't recall, but I don't think they
5 were doing it to the extent that I had basically --
6 once I was there -- was doing it.

7 Q What I'm trying to understand is if when
8 you got to mortgage finance, what you were doing was
9 creating something wholly new that had not been done
10 before at all, as opposed to something that when we
11 take over a job we do something differently or make
12 changes in it.

13 I'm trying to figure out if yours was
14 wholly new.

15 A Like you just said, when you start a new
16 job you bring your own experiences and viewpoints of
17 how you would want to do it, and at that point in
18 time there was a lot going on in terms of what was
19 happening in the marketplace so I just came in with
20 an open mind and kind of looked to see what was
21 there and kind of go from there.

22 That's pretty much the approach that I
23 took when I first entered the group.

24 Q So what was there? Let's focus on that.

25 Were Mr. Engel or Mr. Ng already in the

1 Xanthos

2 mortgage finance group?

3 A No.

4 Mr. Engel we hired -- I hired I don't

5 know the exact date, but he came along a couple of

6 months after I first started.

7 Joseph Ng was part of the analytics group

8 and then -- I don't remember the date -- he wanted

9 to do something different so we had -- he had the

10 opportunity to come into the surveillance group,

11 which he did.

12 Q That was again after you got there?

13 A After I got there, yes.

14 Q Who did you discuss taking this

15 surveillance job with?

16 A Susan Mills.

17 Q What did she tell you about the job you

18 were walking into?

19 A Well, again, it was -- the marketplace

20 was very volatile in terms of everything that

21 everyone has heard about over the last couple of

22 years, and just trying to get a better understanding

23 of how the Citigroup securitizations were

24 performing, formalizing the process as well as

25 further delving into our vendors that we had placed

1 Xanthos

2 into the securitizations. What I mean by that, the
3 credit risk managers that were assigned to the
4 deals.

5 Q You knew I was going to ask -- was there
6 something on my face that looked completely
7 perplexed?

8 A No.

9 Q I'm sorry.

10 So Susan Mills is talking to you about
11 getting a better understanding of how the Citigroup
12 securitizations were performing, and formalizing the
13 process, and the last one I'm a little confused
14 about.

15 Vendors placed into the securitizations
16 that were credit risk managers?

17 A Right.

18 A lot of our securitizations, there were
19 credit risk managers assigned to them. The two that
20 were -- well, there were two companies that did the
21 credit risk management role. The first one was
22 named Clayton and the second one was Pentalpha.

23 Q Clayton and Pentalpha were performing
24 this credit risk manager job for Citi
25 securitizations before you went to the mortgage

1 Xanthos

2 finance group?

3 A That's correct.

4 Q So that's not something you instituted,
5 that already existed?

6 A That's correct.

7 Q Just to be clear, you went to mortgage
8 finance in 2006?

9 A Yes, I believe.

10 Q When in 2006?

11 A My guess is April of 2006.

12 Q What did Ms. Mills tell you if anything
13 about whether or not any of these functions that she
14 was asking you to perform had been performed in any
15 fashion before you got there?

16 Was she saying we've got some of this or
17 not enough, or we've got some of this, and just so
18 you know where we are at this point --

19 A Again, I don't recall specifically but,
20 again, it was just -- it was being done.

21 Again, this was -- my role was just to
22 kind of build a group and formalize the process.

23 Q So now you're in, you're in the mortgage
24 finance group, and did you report -- who did you
25 report to in mortgage finance?

1 Xanthos

2 A Susan Mills.

3 Q These two people, Mr. Engel and Mr. Ng
4 eventually came to work for you?

5 A Yes.

6 Q For a while it was just you?

7 A Yes.

8 Q What did you learn when you got into
9 mortgage finance about what had been done in terms
10 of understanding how Citi securitizations were
11 performing?

12 That was one -- I understood that to be
13 one of the goals Susan Mills gave you, was to better
14 understanding how Citi securitizations were
15 performing.

16 Is that correct?

17 A That's correct.

18 Q When you got there was there anyone you
19 could talk to about how they were performing?

20 Were there any records people were
21 keeping of how they were performing?

22 What was there?

23 A Again, as I just said to you, there were
24 credit risk managers that were part of the
25 securitizations, and the credit risk managers had

1 Xanthos

2 dedicated teams for each securitization that they
3 were placed on.

4 Again, in our circumstances Clayton
5 was -- was on a good number of our deals.

6 So initially, since -- and they would
7 submit reports to people within mortgage finance. I
8 don't know who they were submitting reports to
9 initially.

10 Again, I kind of had them send the
11 reports to me and to my team on a month in, month
12 out basis. We would review the reports.

13 But also initially I wanted to meet the
14 people that were doing this, so we had taken a trip
15 out to I think -- Clayton is in Colorado, so we had
16 taken a flight out to Colorado and spent a day or
17 two with the team that was assigned to Citigroup's
18 securitizations for us to get a better understanding
19 of who they were and their capabilities and
20 backgrounds and what processes they were using to do
21 their job and also for them to get to know us, since
22 we were a new group within mortgage finance.

23 Q So each securitization had a credit risk
24 manager?

25 A No.

1 Xanthos

2 Q A lot of --

3 A Some. Some. I would say a good number
4 of ours did.

5 A specific number I cannot give you as of
6 right now. I don't recall.

7 You don't have to have a credit risk
8 manager on a securitization. It's --

9 Q Optional?

10 A -- optional, but -- again, I don't know
11 the percentages but there were a good number that we
12 had a credit risk manager on.

13 Q So if there was a credit risk manager you
14 could get and you did get information from the
15 credit risk manager, correct?

16 A Yes.

17 Q Now we're going to take the deals and put
18 them into two categories. No credit risk manager,
19 credit risk manager.

20 Just for the purposes of this discussion,
21 if a mortgage finance group securitization didn't
22 have a credit risk manager, when you got into
23 mortgage finance, was there any -- were there -- was
24 there an evaluation or recordkeeping of the
25 performance of the securitizations with no credit

1 Xanthos

2 risk managers?

3 A I don't recall if there was or not.

4 Q When you became part of mortgage finance
5 in this role, were there records that you inherited
6 or had access to that talked about or referred to
7 the performance of securitizations?

8 A There were records, yes.

9 Q What kind of records?

10 A Well, there were spreadsheets that
11 basically out signed on a month in, month out basis
12 how the securitizations were performing, utilizing
13 the monthly performance reports that were issued on
14 publicly available websites.

15 Q So there were spreadsheets that were
16 maintained in mortgage finance, correct?

17 A Yes.

18 Q Are we talking about electronic? Are we
19 talking about hard copy?

20 In what form?

21 A Electronic.

22 Q Where were these maintained? How did you
23 access them? Were they on a hard drive, a special
24 program?

25 Literally how did you get to them?

1 Xanthos

2 A I think they were in specific folders
3 that mortgage finance had access to.

4 Drive and then folders.

5 Q Do you remember which drive that was?

6 A I don't recall.

7 Q So it was a specific drive and then
8 specific folders?

9 A Yes.

10 Q In mortgage finance -- mortgage finance
11 had access to that had these spreadsheets.

12 These spreadsheets were monthly?

13 A They were -- yes. The spreadsheets
14 are -- is a compilation of the performance of each
15 securitization on a monthly basis.

16 Q So it's a single spreadsheet for each
17 securitization and it's updated monthly, with
18 monthly information?

19 A Yes.

20 It's a running total.

21 Q Got it.

22 The information that's on this
23 spreadsheet is what?

24 A It's basically -- it's the number of days
25 delinquent. It's basically a snapshot of what is

1 Xanthos

2 publicly available for any investor.

3 It's the monthly performance statistics,
4 which includes current outstanding balance of the
5 pool; number of days delinquent, 30-60, 60-90, 90
6 plus.

7 Number of loans in foreclosure as well as
8 balances, prepayment speeds on a monthly and
9 cumulative basis. And losses if any that the
10 securitization basically took for that month.

11 Q You referred to a publicly available -- a
12 report that was publicly available to investors.
13 How -- what was the term you used to refer to that
14 report?

15 A Again, like I just said, monthly
16 performance reports.

17 Q What was the source of those monthly
18 performance reports?

19 A They are the trustees, the trustee to the
20 deal would publish those monthly performance
21 reports.

22 Q Can we call them trustee reports?

23 A I could imagine so.

24 I would rather refer to them as monthly
25 performance reports.

1 Xanthos

2 Q Okay. We'll call them monthly
3 performance reports from the trustee.

4 Did the spreadsheets that you're
5 referring to contain all the information that was in
6 the monthly performance reports?

7 A Not -- I don't know if it's all of the
8 information but, again, it had the information that
9 a rating agency or investor would use to basically
10 monitor the performance of their securitizations.

11 Q Was the information in the spreadsheet a
12 subset of the information in the monthly performance
13 reports?

14 A It's really a compilation of what's in
15 the monthly performance reports.

16 Q Was the information in the
17 spreadsheets -- was there any information that went
18 into the spreadsheets or into the compilation of the
19 spreadsheets other than from the monthly performance
20 reports?

21 A Not that I recall, no.

22 Q So everything that was in the
23 spreadsheets was -- came from or was derived from
24 the monthly performance reports?

25 A From what I recall, yes.

1 Xanthos

2 Q Again, with respect to securitizations
3 for which there wasn't a credit risk manager, was
4 there any other information in the mortgage finance
5 group that referred to the performance of the
6 securitization?

7 A Well, there was a person in the analytics
8 group that would go out to let's say the trustee's
9 websites and would download loan level information.
10 He would accumulate whatever was posted
11 there. It was like a central database that stored
12 that information.

13 Q So the monthly performance report is one
14 thing, and then this person in analytics would go to
15 the trustee's website and download loan level
16 information?

17 A Right.

18 Q And that loan level information was
19 different than the monthly performance report?

20 A Well, again, it is what is provided by
21 the trustee.

22 What exactly it is, I don't recall, but I
23 would imagine it's -- it should be very -- it should
24 be the same.

25 BY MR. MINOR:

1 Xanthos

2 Q The summary you indicated as publicly
3 indicated, this drill down loan level data --

4 A Say that one more time.

5 Q You said -- what was publicly available?

6 A The monthly performance reports.

7 Q The data that the analytics group would
8 get, was that also publicly available?

9 A If it was, they would try to obtain it.

10 Again, I think -- I don't know if that he
11 is -- the monthly performance reports are standard
12 across every issuer.

13 In terms of loan level information, it
14 may -- I don't know if that's standard across every
15 securitization. It may be -- again, it may depends
16 on how it was negotiated at the closing of the
17 securitization where maybe some of it was provided,
18 maybe sometimes it wasn't, but I'm not exactly sure
19 how that works.

20 Q Were you involved in the negotiation of
21 those terms?

22 A No.

23 (Pause.)

24 Q You said there was a person in analytics
25 that would go to the trustee's website and download

1 Xanthos

2 this loan level data. Was that being done when you
3 got there?

4 A I believe so, yes.

5 Q Who was that person?

6 A I don't remember his last name.

7 Q I'll take a first.

8 A Vincent was his first.

9 Q And he was in the mortgage finance group?

10 A No. He was in the analytics group.

11 Q Do you remember who Vincent's boss was?

12 A I do.

13 Q Who was that?

14 A His name is John Wood.

15 Q Did Vincent in analytics provide or pass
16 the loan level data to someone in the mortgage
17 finance group?

18 A I don't know.

19 Q So how did you know this person -- when
20 you first joined the mortgage finance group, how did
21 you know that Vincent was downloading this loan
22 level data?

23 A I asked.

24 Q You asked. Okay.

25 What caused you to approach Vincent and

1 Xanthos

2 ask him -- what did you ask him?

3 A Well, again, remember, when we started
4 talking about this, again, I was new to the group
5 and trying to get an understanding of what was
6 there -- what was being done and what I had -- what
7 basically -- the type of information I could use to
8 kind of build up a -- my group within the larger
9 group, so, again, that was just part of basically
10 the initial stages of just asking.

11 Q I want to be clear. You were in the
12 mortgage finance group?

13 A I was in the mortgage finance group.

14 Q Vincent was in the analytics group?

15 A Right.

16 Q The analytics group was not part of the
17 mortgage finance group?

18 A No.

19 Q Vincent told you he had this loan level
20 data?

21 A Yes.

22 Q Did Vincent tell you he had anything
23 else?

24 A Not that I recall, no.

25 Q Did anybody else tell you they had

1 Xanthos

2 anything else?

3 A In what regard?

4 Q With regard to securitizations for which
5 there wasn't a credit risk manager.

6 We were talking all about the information
7 that you were able to amass.

8 A There was no distinction, at least in my
9 mind, between deals that had a credit risk manager
10 versus deals that did not.

11 MS. BUERGEL: Is it fair to say that in
12 addition to the information that the credit risk
13 manager might have provided for you for deals when
14 one was on the transaction, this -- this additional
15 information also was available, the spreadsheet
16 you've described and the loan level data?

17 THE WITNESS: Yes. The spreadsheets were
18 available for every deal.

19 Like I just said, there was no
20 distinction between deals with CRMs or deals
21 without.

22 Q So the spreadsheets you talked about were
23 available for all deals?

24 A Yes.

25 Q The loan level detail data that Vincent

1 Xanthos

2 pulled off the trustee's website was available for
3 some deals, maybe not others, but whether or not
4 that was available was not determined by whether
5 there was a credit risk manager?

6 A Not that I know of, no.

7 Q What other sources of data were available
8 to you when you joined -- or did you identify at all
9 when you joined the mortgage finance group regarding
10 the securitizations that Citigroup had done?

11 A Just what we just talked about is all I
12 can recall.

13 Q So there were the spreadsheets for all of
14 the deals, all the securitizations, and there was
15 loan level data for some of the securitizations?

16 A Well, the information that was provided
17 to us on a monthly basis by the credit risk
18 managers.

19 Q Now we'll get to the credit risk
20 managers.

21 MS. ELMADANY: Let's take a five-minute
22 break.

23 (A recess was taken.)

24 MS. ELMADANY: We're back on the record
25 after a brief recess, during which there have been

1 Xanthos

2 no conversations of substance between the staff and
3 Mr. Xanthos or his counsel.

4 Do you agree, sir?

5 THE WITNESS: I do.

6 MS. ELMADANY: Counsel?

7 MS. BUERGEL: Yes.

8 BY MS. ELMADANY:

9 Q We're back on the record.

10 I want to focus back on the credit risk
11 managers that you said were involved for some of the
12 Citigroup securitizations, and before we get to who
13 they were, what's the function of a credit risk
14 manager?

15 A They are part of a securitization really
16 to look out for the interest of ultimately the
17 investor, and that is they also -- they have access
18 to different parties within the securitization, from
19 the servicer to a master servicer if there is one,
20 to the trustee, and, again, they are there to ensure
21 that what was -- that the loans are performing to
22 the best that they can be, that the different
23 parties to the securitizations are maintaining
24 their -- they are operating in a way that basically
25 they were thought to have been.

1 Xanthos

2 What does that mean? For a servicer,
3 that they were following their generally accepted
4 servicer policies and practices, that they are
5 maintaining their delinquency timelines, that they
6 are reaching out to borrowers that need their
7 assistance, that they are basically helping
8 borrowers that may need help in terms of modifying
9 or forbearing their loans for the most beneficial
10 outcome for both the borrower and ultimately the
11 investor.

12 Q So the credit risk manager is overseeing
13 the other parties to the securitization basically
14 doing their job, they are looking at what they are
15 doing?

16 A Exactly.

17 Q One of those parties is the servicer, and
18 the servicer to my understanding is the person that
19 receives the payments on the loans and tracks the
20 payments?

21 A Yes. It receives the payments, tracks
22 the payments, make sure the insurance is paid, the
23 taxes are paid, that -- basically is really the
24 point person for anything that happens with the
25 borrower.

1 Xanthos

2 So if the borrower is -- needs some --
3 has any question in terms of their loans or the
4 terms of their loans, the servicer will address
5 them.

6 Again, if a person is experiencing
7 financial difficulties the servicer really is there
8 to basically -- to confirm -- to take those calls
9 and to walk the borrower through a resolution of
10 what their issues are.

11 That could be a modification of the loan
12 terms. It could be a forbearance of some of the
13 terms in the loans.

14 They will ensure the borrower is
15 experiencing financial difficulty and they are
16 trying to work out the most beneficial outcome for
17 everyone involved.

18 Q Then you said master servicer.

19 A Right. Some deals have a master
20 servicer. Normally there is a master servicer if
21 there are two or more servicers.

22 It's really easy if a deal just has one
23 servicer, but if a deal has three or four different
24 servicers normally you have a master servicer which
25 kind of accumulates the information of the four that

1 Xanthos

2 are accepting the payments and dealing with the
3 borrowers

4 BY MR. MINOR:

5 Q Is it one of the four or is it a
6 different party?

7 A From what I recall, usually it's an
8 independent party. It's a bigger, more financially
9 secure entity.

10 Q Okay.

11 BY MS. ELMADANY:

12 Q Is the servicer the source of the monthly
13 performance reports?

14 A Exactly. Yes.

15 Now, just so we're further clarifying
16 this, the servicer will provide that information to
17 the trustee, and the trustee will post that like we
18 discussed before in the monthly performance reports.

19 Q So the information goes from the servicer
20 to the trustee. The trustee posts the monthly
21 performance reports?

22 A Yes.

23 Q If there's a master servicer, does the
24 servicer provide the information to the master
25 servicer?

1 Xanthos

2 A Yes.

3 Q And then the master servicer provides it
4 to the trustee?

5 A From my belief, yes.

6 Q How is it decided if there will be a
7 credit risk manager for a securitization?

8 A The specifics of it I'm not sure how it
9 comes about.

10 Formally -- eye say this: Normally in
11 our deals, or I guess other deals that you have a
12 credit risk manager, it's more for let's say
13 subprime loans rather than prime loans.

14 And also having it, having a credit risk
15 manager, was really a positive for a
16 securitization. I know the rating agencies and
17 investors looked at that as another -- as a good
18 thing, as a positive for the thing, because you had
19 another set of eyes working for the deal and the
20 investors.

21 Q What sources of information did the
22 credit risk manager have?

23 A They had -- they would have a direct link
24 to the servicer, provided that the servicer allowed
25 them access, online access, to their servicing

1 Xanthos

2 systems.

3 So I know with Clayton, if they did have
4 access to a servicer, they could basically go into
5 the servicer's system and research a question or an
6 issue that they had.

7 If they didn't have access to a computer
8 system, then the credit risk manager would basically
9 have to accumulate their questions and provide it to
10 a point of contact of the servicer who dealt with
11 credit risk managers, and it would just take a
12 little bit longer for them to come back basically
13 with answers to questions.

14 BY MR. MINOR:

15 Q You're saying the credit risk manager
16 having direct access may be -- in terms of
17 technology they had direct access?

18 A Yes. Technology as well as to specific
19 people at the servicer shop who basically
20 interacted, who took their questions and were there
21 to basically provide the answers to them, or to --
22 yes.

23 To answer their questions if they had
24 some.

25 BY MS. ELMADANY:

1 Xanthos

2 Q If there was a master servicer on the
3 deal, what was the relationship between the credit
4 risk manager and the master servicer?

5 A It should be the same as I just
6 described.

7 I don't think there's really any
8 difference between the master or just one of four
9 regular servicers.

10 Q And the other party that you talked about
11 was the trustee.

12 A Yes.

13 Q What was the -- how did the credit risk
14 manager have access to the trustee?

15 What was their relationship with the
16 trustee?

17 A I really didn't delve into that area in
18 terms of what the credit risk manager did with the
19 trustee.

20 For the most part it was always the
21 credit risk manager with the servicer. Again,
22 really, the servicer was the main point of contact
23 to the borrowers.

24 Q Did the credit risk managers, whoever it
25 was, have any interaction with the trustee?

1 Xanthos

2 A I would guess yes. What they did with
3 them I'm not aware.

4 Q So how did a credit risk manager go about
5 determining if the different parties to a
6 securitization were operating as assumed or as
7 projected, as everybody thought?

8 MR. BUERGEL: Just to be clear, you
9 should speak about what you know about or make clear
10 what you know yourself, given that you never worked
11 for a credit risk manager.

12 A They would look at -- a lot of times it
13 was looking at timelines, and let's give an example
14 of what I mean by a timeline.

15 Servicers have, based on their policies
16 and procedures, they have a certain amount of days
17 let's say that a borrower is delinquent before they
18 would -- they would institute foreclosure
19 proceedings.

20 So let's use an example. Let's say
21 there's 91 days of delinquency. On the 91st day of
22 delinquency a servicer should put a borrower into
23 foreclosure.

24 If it turned out a servicer wasn't
25 following that procedure, then the credit risk

1 Xanthos

2 manager would ask, well, how come, why aren't you
3 putting these borrowers into foreclosure, and await
4 a response as to why it was or why it wasn't.

5 That's an example of let's say what they
6 did on a month in, month out basis.

7 In addition, if there were -- if a loan
8 took a larger than expected loss they would ask
9 questions as to why did this loan lose this amount
10 of money. What was the issue with let's say the
11 property or the condition of the property.

12 So they would ask for more detail behind
13 just the numbers that would show up on the monthly
14 performance report.

15 Since they were part of the
16 securitization they could ask those questions
17 because they were legally entitled to receive that.

18 Q Am I correct to understand that all of
19 the loan level data about whether a loan was paying,
20 was paying on time, the state it was in, foreclosure
21 or something like that, that all resided with the
22 servicer?

23 A Yes.

24 Again, that information could be also
25 included in the monthly performance reports, or in

1 Xanthos

2 an Excel spreadsheet that was also available for an
3 investor to see in -- on a public website.

4 Q When you say a public website, is that
5 something different than the place where the monthly
6 performance report was?

7 A Usually it would be all in one place.

8 So if Wells Fargo was the trustee, you
9 would go to the Wells Fargo website and they would
10 be a trustee for a lot of different securities. You
11 would just look for the name of the issuer and then
12 you would find the particular bond you were looking
13 for, and then you would click it and you would have
14 all of the monthly performance reports available to
15 you, and if they also included let's say loan level
16 information, but, again -- there couldn't be any
17 really identifying information because the borrowers
18 have confidentiality --

19 Q It doesn't have the borrower's name and
20 address.

21 A Yes. You could not basically have any
22 information there that would identify or provide
23 someone with the ability to find out who the
24 borrower is.

25 Q So a loan could be referred to by number

1 Xanthos

2 for example?

3 A By number, and also -- you were asking
4 about the specific information that was available.
5 It would just be more generic type of information.

6 Nothing that would give someone the
7 ability to find out where the property is.

8 Q You couldn't find the house.

9 A Yes.

10 Q Was there any place besides the trustee
11 website that information about performance of the
12 securitization appeared?

13 A The only other place that I'm aware of
14 is -- would be in a rating agency website, if a
15 particular rating agency had rated the deal,
16 normally they will monitor its performance.

17 They have a surveillance group at the
18 rating agencies, and if their assumptions changed or
19 the deal wasn't performing as well as expected, they
20 could either downgrade the bonds or if they were
21 performing better than expected, upgrade.

22 Q The rating agency data, was that loan
23 level data?

24 A I'm not a hundred percent sure of how the
25 rating agency went about -- what they had access

1 Xanthos

2 to.

3 My guess would be it would be the monthly
4 performance report just like everyone else.

5 Q That was going to be my next question.

6 In order to view the monthly performance
7 report, was it only available to investors, people
8 who owned the security?

9 A In my experience it's available to the
10 general public, but there are some securitizations
11 where let's say you need a password, maybe you have
12 to be let's say a registered investor, where the
13 website would have to give you access to be able to
14 go into it and extract or you would have to prove to
15 them that you were an investor in that particular
16 bond to see that bond.

17 Q Were any of the Citigroup securitizations
18 monthly performance reports on a website that
19 were -- where you required a password or needed to
20 be a registered investor?

21 A I'm not a hundred percent sure on that.

22 Q When we first started talking about
23 credit risk managers, you said that the credit risk
24 manager submitted reports to people in the mortgage
25 finance group. Who in mortgage finance got the

1 Xanthos

2 reports?

3 A Well, in my time I would receive the
4 reports from them, as well as my -- the two people
5 that worked for me.

6 Q Okay.

7 A That was pretty much the extent of it.
8 There might have been a few other people but not too
9 many.

10 Q Who else besides you and Mr. Engel and
11 Mr. Ng?

12 A Guessing, I would think it probably would
13 be --

14 Q We don't guess but --

15 A I don't know for sure. Outside of the
16 three people I told you.

17 Q I don't want to be rude, but --

18 A That's fine.

19 Q I didn't mean to cut you off like that,
20 but if you're mining your memory and you say I think
21 because I have some memory of it, if you had some
22 understanding because you discussed it with somebody
23 or for some other reason.

24 If you're just guessing, I don't want
25 you -- nor do we need for you to extend your

1 Xanthos

2 testimony into an absolute guess. When you're
3 making an estimate, when you're making some
4 reasoned -- that's fine.

5 A Okay.

6 Q Anyone else you think got it?

7 A Outside of the three people I just told
8 you about, I'm not aware of anywhere else.

9 Q How did it come about that you and your
10 team I'll call them started to get the reports from
11 the credit risk managers?

12 A Again, it was the result of actually
13 going out to Denver and speaking with the team that
14 was assigned to us and really developing a
15 relationship and just having them know for certain
16 that from there on out everything would basically
17 flow through me and the two people that work for me.

18 Q Prior to your trip to Denver which we
19 will talk about, did anyone in the mortgage finance
20 group or the analytics group get any reports from
21 the credit risk manager?

22 A I don't know.

23 Q Do you know of anyone in Citigroup who
24 received credit risk manager reports before you
25 started to receive them?

1 Xanthos

2 A I don't recall.

3 Q You got there, you took a trip to Denver
4 to meet with the Clayton people.

5 First, who is "we"?

6 A It was myself, a lady by the name of
7 Joanne Cordero, and one other guy who worked with me
8 at the time. I forgot his name.

9 John Radzicki.

10 Q Could you help me with his --

11 A Sure.

12 R-a-d-z-i-c-k-i.

13 Q When did Mr. Radzicki work with you?

14 A I want to say second half of 2006 --
15 yes.

16 I think that was it, the second half of
17 2006.

18 Q Did Mr. Radzicki precede Mr. Engel and
19 Mr. Ng?

20 A He did.

21 Q What were his functions?

22 A Really kind of developing the -- working
23 with me, kind of making sense of where we wanted
24 to -- what we wanted to do and how we wanted to do
25 it.

1 Xanthos

2 Q Was Mr. Radzicki in the mortgage finance
3 group when you moved over to them, or was he in some
4 other group?

5 A I don't think he was. I think he was in
6 mortgage trading.

7 Q How did he come to work with you or make
8 this trip with you?

9 A He was working with me, so it was both of
10 our introductions to, really, the credit risk
11 manager and to Clayton.

12 Q Who is or was Joanne Cordero?

13 A She was an outside consultant to us in
14 terms of putting together this, the surveillance
15 part.

16 Q With whom did she work or was she an
17 independent person?

18 A She was an independent person.

19 Q How did you come to work with
20 Mr. Cordero?

21 A She was there. She basically -- I was
22 introduced to her. I don't know who exactly
23 introduced me to her.

24 As we were starting to put this program
25 together, she was a very good source because she had

1 Xanthos

2 worked for a servicer for a good part of her career.

3 Q So you didn't reach out to bring in a
4 consultant or to Ms. Cordero specifically?

5 A No.

6 Q She was already working on something or
7 working on this project, or --

8 A I don't know.

9 Q Who introduced you to her?

10 A I think it was Susan Mills.

11 Q What was Ms. Cordero's role in the
12 developing of the surveillance?

13 A Well, she was -- we had -- at that point
14 in time we were trying to figure out what the credit
15 risk managers actually did on a month in, month out
16 basis, as well as on a day-to-day basis, and we were
17 also interviewing other credit risk managers as
18 well, so Joanne basically helped us in meeting as
19 well as interviewing other credit risk managers that
20 wanted to get assigned by Citigroup.

21 Again, when we went out to Clayton, she
22 sat in with us when we met the team and we were
23 asking questions and, again, since she had a lot of
24 experience with servicing, she was an invaluable
25 source to kind of getting all of us up to speed that

1 Xanthos

2 much quicker.

3 Q Did you have any experiencing with
4 servicing before you moved into the mortgage finance
5 group?

6 A Yes.

7 Q You did?

8 A Yes.

9 Q What was your experience with servicing?

10 A It was basically when I was in my credit
11 role I would visit not only the origination part of
12 the business but also the servicing part of the
13 business.

14 I had done that for a lot of different
15 asset classes. So I'm familiar with what a servicer
16 does, how they do it, how they go about on a day in,
17 day out basis servicing loans.

18 Q So it wasn't that a servicer was
19 something you basically had no knowledge of, you had
20 some experience with a servicer?

21 A Yes.

22 Q Did Mr. Radzicki, did he have any
23 experiencing with servicers prior to making this
24 Clayton visit with you?

25 A I'm not sure. I don't know.

1 Xanthos

2 Q Do you know if Mr. Radzicki had any
3 experience with credit risk managers before your
4 Denver visit, your visit to Clayton?

5 A I don't know.

6 BY MR. MINOR:

7 Q Did you know the Clayton people before
8 you worked in this group?

9 A No.

10 I knew of Clayton just from reading
11 industry magazines and things like that, but I had
12 never had any contact with them.

13 BY MS. ELMADANY:

14 Q What made you decide to go visit Clayton?

15 A It was a great opportunity to meet the
16 people that were doing a lot of our work for us.

17 I'm a big believer in meeting
18 face-to-face people I do business with as well as
19 people who provide services to me, and since they
20 were -- they had been in this line of business for a
21 very long time, they were a great source of
22 information in terms of how they went about doing
23 their day -- their job day in and day out, as well
24 as it gave me an opportunity to see what types of
25 technology they had available to themselves as well

1 Xanthos

2 as what we could access to.

3 Again, as we talked about before, we

4 eventually got access to their technology

5 infrastructure, so it made myself and my team that

6 much more efficient in a very time effective manner

7 to basically be able to go in and look at what the

8 Clayton team was doing day in and day out.

9 Q When you were talking about Clayton, you

10 referred to them as the people who were doing a lot

11 of work for us. Who is the "us" in that sentence?

12 A When I say us, I mean mortgage finance as

13 well as here for loans that were securitized -- I

14 say us but I'm also including the investors in it

15 just because I don't really distinguish in my mind

16 between investors and Citigroup. To me it's all one

17 and the same.

18 That's what I mean when I say that.

19 Q Okay. I'll come back to that.

20 Before we get to getting access to the

21 Clayton technology, I guess there's something I

22 should ask.

23 Your job was to -- as I understand it was

24 to track the performance of the securitizations.

25 Did you have any involvement in tracking the

1 Xanthos

2 performance of loans before they were securitized?

3 A I did.

4 I developed some of those reports that
5 would track loans before they were securitized.

6 Q At the point before a loan was
7 securitized, was a credit risk manager involved?

8 A No.

9 Q We'll come back to that.

10 So when you went to Clayton it was the
11 three of you, and you got to meet -- you indicated
12 there were specific Clayton employees who worked on
13 specific Citigroup securitizations?

14 A Yes.

15 Q Was there like a designated Citigroup
16 group within Clayton?

17 A Yes.

18 So all they did day in, day out were the
19 deals we had basically made Clayton CRM for.

20 Q Approximately how many people are we
21 talking about at Clayton?

22 A I don't remember the exact number.

23 Q More than a hundred?

24 A No, no.

25 Q Less than 50?

1 Xanthos

2 A I would say -- I would say between 10 and
3 15.

4 Q What was the meeting about?

5 A It was really to find out what they
6 actually did for us or for the deal.

7 Also, well, what were the backgrounds of
8 the people that were assigned to our team. What was
9 the background and capabilities of the people that
10 were overseeing the analysts of those teams. What
11 were the methodologies of how they looked at the
12 loans or how they looked at the economy or real
13 estate, or just trying to get an understanding of
14 how they looked at the world of let's say mortgages
15 and securitization.

16 Again, the trip was very well worthwhile
17 because, again, it gave us -- well, gave me and the
18 people with me -- more of a comfort as to who is
19 this person. Who is Joe. Who is Matt. And what is
20 their kind of approach to the business. Are they
21 progressive in how they approach looking at issues
22 or non-issues.

23 What types of information or databases do
24 they have access to which would enable them to
25 basically make better and more efficient and very

1 Xanthos

2 time -- more time efficiency, really, in spotting
3 potential issues and rectifying them.

4 Because, again, we're talking about a lot
5 of loans here so every loan is a different story for
6 the most part and it has to be given the proper
7 amount of time and also resources to try to make
8 sense of what's going on.

9 So that's really what I was trying to get
10 out of that meeting, trying to get a sense of
11 comfort that this group and this company are really
12 good at what they are doing and they basically
13 are -- we can kind of be comfortable with them, but
14 at the same time monitor how they are performing and
15 really have to establish a very good and deep
16 relationship.

17 Q Thank you.

18 How long is this meeting we're talking
19 about?

20 A It was probably a whole day meeting.

21 Q You mentioned one of the things you
22 wanted to learn was what information or databases
23 Clayton had access to that it used in its duties and
24 decision-making.

25 Did you learn what databases it had

1 Xanthos

2 access to?

3 A We did.

4 Q What were those?

5 A A lot of times the servicer provided them
6 with loan level or provided them to their servicing
7 systems, they would download a lot of this
8 information on a monthly basis which would go into
9 their database and then basically as they were doing
10 their review of the securitization and as they
11 looked into specific loans that were part of the
12 securitizations they could basically tell or get a
13 better idea of what was going on with let's say the
14 borrower.

15 Q Then I think you said at some point,
16 because I was writing as fast as I could, that
17 Clayton eventually gave you access to something, to
18 databases or something.

19 A They gave us access to the database which
20 the entire Citigroup team utilized to do their own
21 types of analysis of the loans in the
22 securitizations.

23 Q Who in Citigroup was given access to
24 those Clayton databases?

25 A It was myself, Peter Engel and Joseph Ng.

1 Xanthos

2 Q Who is Josephine?

3 A Joseph Ng.

4 Q Sorry.

5 A The team. I don't know if we've --

6 Q I thought you said Josephine. My

7 apologies. I misheard you.

8 Using those databases that Clayton gave
9 you and your team access to, what was it that you
10 could see?

11 A Well, again, it was whatever the servicer
12 was providing Clayton.

13 What does that mean? If they had
14 servicer comments, so if they talked to a borrower
15 and the servicer made a comment about what they had
16 discussed with the borrower, what the issue was in
17 terms of the delinquency, if the borrower -- well,
18 if there was a new appraisal that was done the
19 servicer had ordered.

20 Those were basically the main things.

21 Q So was the information in the database
22 that Clayton gave you access to on a loan level
23 basis?

24 A On a loan level basis.

25 We tried to do everything on a loan level

1 Xanthos

2 basis because, again, it was a lot of loans but that
3 really was -- you have to look at it on a loan by
4 loan basis.

5 A lot of times you're looking at it on a
6 portfolio basis, and you can do that, but you're
7 trying to get much more granular so you try to look
8 at things on a loan by loan basis.

9 Q If you were looking at things on a loan
10 by loan basis, could you see if a loan was paid
11 timely or if it was behind in its payments?

12 A Sure. And that's something you can get
13 on an aggregate basis.

14 Then if you wanted to look at something
15 in terms of why is this -- why is this borrower 90
16 plus days or more delinquent, you could access
17 that. Provided the servicer was able to comment on
18 the borrower and they had written a comment, that's
19 something you could access, that.

20 Q When you said you could get that on an
21 aggregate basis, what does that mean?

22 A That's kind of what you would see in the
23 monthly performance summary. Where there it's a
24 snapshot of how many loans are 30-60 days, 60-90,
25 foreclosure, REO, bankruptcy.

1 Xanthos

2 There's a lot there that gives you the
3 sense of how the loans are performing on an
4 aggregate basis.

5 Q Got it. Thank you.

6 You indicated there was another credit
7 risk manager for multiple Citigroup securitizations
8 and it was pen --

9 A Pentalpha.

10 Q How was it determined who the credit risk
11 manager for a particular securitization would be, or
12 even whether or not it would have one?

13 A I don't know the specifics of why
14 Pentalpha would be chosen versus Clayton, but I do
15 know what I said before, that we interviewed a lot
16 of credit risk managers.

17 We decided -- we always had Clayton. We
18 added Pentalpha to our credit risk manager I guess
19 team. There was only two of them.

20 The way we decided on let's say Pentalpha
21 versus other people, other firms, was really a
22 judgment on their capabilities, background of the
23 people that would be assigned to our team. Their
24 technology. How sophisticated was it.

25 But it really came down to the people.

1 Xanthos

2 What are their backgrounds. What are their -- are
3 they diligent. Did they try to find what the issues
4 are and are they -- do they pursue finding the
5 answers to their questions.

6 Because a lot of this is really -- you
7 have to ask the questions but you also have to
8 basically get the answers. Asking the questions is
9 only part of it, really. The main goal here is to
10 basically get the answer.

11 And then to determine whether that's a
12 sufficient answer, or if it's not a sufficient
13 answer, because a lot of times credit risk managers
14 would point out things to the servicers that the
15 servicers maybe weren't adhering to policies or
16 there were certain reasons why they weren't doing
17 something. But unless you asked the question you
18 would never know.

19 So the follow-up was really key. So when
20 we met these people, it was the people, the
21 technology and their methodology of how they
22 basically put it altogether.

23 Q Thank you.

24 So when you moved into the mortgage
25 finance group, Pentalpha wasn't already working as a

1 Xanthos

2 credit risk manager?

3 A I don't think. Because I do remember
4 that at that point in time, and that was another
5 thing Joanne was helping us out with was
6 interviewing a lot of the proposals that these
7 credit risk managers had presented to us.

8 I don't know if they had been a credit
9 risk manager. I don't recall.

10 But I do remember we put them on some
11 deals during my time in the group.

12 Q Was there information that Pentalpha
13 provided to the mortgage finance group the same way
14 that Clayton did?

15 A It was -- well, Clayton at first was much
16 more technology advanced. They had the systems
17 already built out.

18 What I remember was Pentalpha was getting
19 there. They were spending money in terms of
20 improving their systems.

21 So we -- we got to the Clayton database
22 or technology database much more quicker than
23 Pentalpha. But eventually we also did get the
24 Pentalpha.

25 So really for the most part, there really

1 Xanthos

2 wasn't much of a difference between the two. But,
3 again, Clayton was a bigger organization than
4 Pentalpha so they just had more resources available
5 to them.

6 But in terms of the quality of both, I
7 think they were both very good.

8 Q Thank you.

9 So now what I've learned there were these
10 spreadsheets and there were the monthly performance
11 reports, and not immediately but eventually there
12 was information from the credit risk managers.

13 A Yes.

14 Q And was there any other information that
15 you used in doing your surveillance of the
16 performance of the Citigroup securitizations?

17 A The last piece of it is we developed
18 ourselves our own database, basically taking
19 information from all of the sources, Pentalpha,
20 Clayton, what Vincent had downloaded that we talked
21 about before, as well as accessing and -- I worked
22 with an outside consultant at Citigroup, we would
23 access Bloomberg information, rating agency
24 information, so we created a master database which
25 we basically used and the people worked for me used

1 Xanthos

2 to do their job much more efficiently and
3 effectively.

4 Q So the information -- going backwards,
5 there was a master database and it included the
6 performance reports and the loan level data from
7 Vincent and the credit risk manager data, and then
8 some other thing, and I lost you right there.

9 A It was a lot of information coming from a
10 lot of different sources, a lot of them being public
11 or sources that were -- Citigroup contracted out
12 with let's say Bloomberg or some of these other
13 vendors.

14 Q What other vendors? That's what I'm
15 trying to figure out.

16 A Let's use Bloomberg. I don't remember
17 the other -- Loan Performance --

18 Q That's the name of something?

19 A Yes.

20 Again, another vendor for mortgage data.

21 So we basically accumulated all of this
22 information. We had our technology staff work with
23 me in establishing this database, with the ultimate
24 goal of being much more efficient because, again, as
25 I keep coming back to, we're dealing with a lot of

1 Xanthos
2 different loans, a lot -- and in order to kind of --
3 to enable my team to be able to quickly kind of
4 figure out, because each analyst had a lot of deals
5 which they were responsible for, so in order for
6 them to be able to oversee not only the credit risk
7 managers but understand why the deals were
8 performing well or not, they needed to have a lot of
9 information at their fingertips, so that was the
10 result of kind of working with all of our vendors,
11 looking to see where we needed to be and becoming
12 much more efficient and more effective, really, at
13 the end of the day.

14 So that was a working project for me from
15 when I first started up until I left Citigroup.

16 MS. BUERGEL: Started in mortgage
17 finance?

18 THE WITNESS: Exactly. Started in
19 mortgage finance.

20 Q I wrote this down, I have absolutely no
21 idea what it means.

22 A Well, you can ask me whatever you want.

23 Q You said something about accessing
24 network with outside consultants. When you were
25 talking about the sources of data.

1 Xanthos

2 A Yes.

3 The sources of data, they were both
4 internal and external. So external, it was Clayton
5 and Pentalpha. Those were our two main sources of
6 information.

7 Then internal for vendor, it could be
8 Loan Performance, it could be Bloomberg, maybe one
9 or two others that I don't remember at this point in
10 time.

11 So, again, we tried to put all of that
12 information -- we merged that information all into
13 one database. So don't ask me the particulars of
14 it, because I'm not a computer person. I just come
15 up with the ideas and I tell people how it should
16 look.

17 We had really good people in technology
18 and this outside consultant was very, very good as
19 well. So they could basically incorporate all of
20 this type of data into one database which then my
21 team basically would have access to.

22 So both Peter and Joe could go in there
23 and if they had a question about any type of loan or
24 securitization or they wanted to monitor the
25 performance of the securitization they could do so

1 Xanthos

2 in a very efficient manner.

3 So basically just having every piece of
4 information we had in one spot as opposed to going
5 out to the web and looking at 12, 13 different
6 sources.

7 It made it more compact, efficient.

8 Q Was the outside consultant Ms. Cordero?

9 A This was another person.

10 Q Who was this person?

11 A His name is -- I have his face in my
12 mind.

13 Jack Broad is his name.

14 Q Jack?

15 A Broad, B-r-o-a-d.

16 Q So Jack Broad was an outside consultant
17 who worked on putting together this master
18 database. Did it have a name?

19 A I always called it the master database.

20 Q That's what we'll call it.

21 What was Mr. Broad's area of expertise?

22 A He -- well, from what I recall, he
23 worked -- he has been a consultant for a lot of
24 different Wall Street firms.

25 He also helped create surveillance

1 Xanthos

2 systems at other firms he used to work at.

3 So -- now, I had my own viewpoints of

4 kind of how I would want things, but I'm open to --

5 I don't think I'm the most knowledgeable person but

6 I tried to kind of listen to other people's

7 experiences, and if it's already been done you don't

8 have to recreate the wheel.

9 For a lot of the stuff it was piecing it

10 together, thinking it through, going back to the

11 drawing board and saying, okay, what are we missing,

12 what should we get, what can we get. How can we

13 incorporate all this into one system that kind of

14 will do on the fly in real time, get us that loan

15 level information as well as on an aggregate basis.

16 You had access to it on an aggregate

17 basis, per deal, as well as on a granular level per

18 deal. So that kind of made it much more robust.

19 Q Thank you.

20 Was there any information that went -- or

21 data that went into the master database that was not

22 publicly available information?

23 A Yes, there was.

24 Q What was that?

25 A Well, it's a lot of what we said

1 Xanthos

2 before --

3 Q The loan level?

4 A -- the loan level, the identifying

5 information for the borrower.

6 Property addresses. It could be Social

7 Security numbers.

8 The database was only a certain amount of

9 people could look at it. It was only myself and the

10 two people who worked for me. We were very, very

11 careful of who could see it and who can't, and most

12 people couldn't see it because of that. Because

13 there was public and non-public information.

14 So there were firewalls set up.

15 Q Tell me about the firewalls.

16 A It was set up by our technology group and

17 the regular powers that be within big institutions

18 that would look at situations where you have

19 non-public information.

20 Q How was the information protected? Was

21 it password protected?

22 A I think you had to access the system, you

23 had a user name and password, but I think you

24 probably also had -- you couldn't access it if you

25 didn't have those things, or maybe you couldn't even

1 Xanthos

2 access -- let's say it was put in another drive that
3 only you had access to or your team had access to.

4 I think that's what we did.

5 Q So the master database was on a drive
6 that only you and your team --

7 A Let's call it the X drive.

8 Q We're making up the X drive.

9 A Yes.

10 Q So the master database was on a drive,
11 the X drive, that only you and your team had access
12 to.

13 A Yes.

14 Q Beyond that it was password protected?

15 A From what I recall, yes.

16 Q You had a password, Mr. Ng and Mr. Engel?

17 A Yes.

18 Q Anyone else have passwords?

19 A Not that I'm aware of.

20 Q What about the boss? The boss always has
21 a password.

22 A Like you told me before, if I don't know
23 for a hundred percent --

24 Q Okay. No problem.

25 Let's step away from the securitized

1 Xanthos

2 loans for a minute.

3 In addition to working on monitoring the
4 performance of the securitized loans you also worked
5 on monitoring the performance of non-securitized
6 loans, correct?

7 A Yes.

8 Q Let's start with non-securitized loans.
9 These are loans that are sitting somewhere within
10 the Citigroup universe, right?

11 A Yes.

12 Q Where are they sitting?

13 A The exact legal place where they were
14 sitting I don't know.

15 Q So the non-securitized loans are
16 identified to you how? How do you know they exist?

17 A Well, we -- when loan pools are
18 purchased, they are identified by package codes.

19 Q Package codes?

20 A They call them package codes. An ID
21 number. So it can be package code one, two, three,
22 four, whatever is assigned to that pool.

23 So they are basically identified through
24 that, by seller, and then by package code. If -- on
25 our analytics team, you basically could tell which

1 Xanthos

2 loans were securitized and which loans were not
3 securitized. So that's basically the manner in
4 which they were identified.

5 Q So the analytics team knew if a loan that
6 had been purchased was securitized or not?

7 A The analytics team as well as people
8 who -- we had a loan management system, it was a
9 department-wide let's say loan management system,
10 software system, so you could go in and filter loans
11 based on a lot of different criteria. If you knew
12 how to use the software system you could do it
13 yourself.

14 So people on my team knew how to use that
15 so they could do that. They could go in and
16 basically determine which loans were securitized,
17 unsecuritized, and look at things on a package
18 basis.

19 Q So the analytics team knows if a loan is
20 securitized or not, and also there is a loan
21 management system. Is that actually what it was
22 called?

23 A I think it is if my memory serves me
24 correct. I think that's what it was called.

25 Q To your knowledge, was the access to the

1 Xanthos

2 loan management system restricted in any way?

3 A I'm not sure.

4 Q But certainly you and your team had
5 access to it, and you could go in and could you just
6 choose to see loans based on the fact that they
7 hadn't been securitized?

8 A Sure.

9 You can filter by that.

10 Q So you know this universe of loans --
11 unsecuritized loans exists, so what did you do with
12 respect to those loans?

13 A Well, what I did was I basically came up
14 with management reporting -- management reports
15 which my team would run really on a weekly basis.
16 We could run it any time we wanted but run it on a
17 weekly basis and distribute it to the group. Again,
18 these were unsecuritized loans.

19 Basically the reports were put together
20 by originator, seller of the loans, and then by
21 package code. I like to look at things by package
22 code, chronologically.

23 Q What did this report show the viewer?

24 A It showed what we had in inventory that
25 was on our books.

1 Xanthos

2 It also showed the performance of those
3 loans over time.

4 Again, as I just said, I liked to look at
5 things by package codes. That would be in somewhat
6 chronological time order. So depending on how many
7 loans we purchased, if those loans were all current,
8 great. If there were some 30 days delinquent,
9 things like that.

10 It kind of gave you a nice snapshot of
11 what was kind of happening with the pools as we
12 purchased them.

13 BY MR. MINOR:

14 Q Was this a large part of the business
15 model, or during the time you were involved with
16 this did this grow over time?

17 A It didn't grow. I mean, I basically --
18 again, with my background, what I was doing, I
19 figured let us come up with a way -- also for my
20 purposes -- to kind of -- and for anybody to
21 basically pick up and make sense of, I'm a big
22 believer in keeping it specific but general so that
23 basically anybody can pick it up, just look at it
24 and kind of understand what was going on.

25 BY MS. ELMADANY:

1 Xanthos

2 Q Did this weekly report have a name?

3 A I just called it weekly management
4 report.

5 Q Works for me.

6 Who got it?

7 A We sent it out to the mortgage finance
8 group, so the people who were in our area, some of
9 the bankers as well, and that was it -- well, Susan
10 Mills and Jim Demar.

11 The traders -- I don't think we sent it
12 to the traders but, again, if it was -- they had
13 purchased these loans so I don't think there would
14 be a problem in terms of providing them with
15 non-securitized loan level information.

16 Q How did you distribute the weekly
17 management report?

18 A Well, my analysts would basically run the
19 reports after -- we basically had standardized it
20 with the reports, how we wanted it to look, and
21 after that was done it just became as simple as my
22 analysts basically going in, clicking a button,
23 generating each one of the reports that we would
24 issue.

25 So I don't know -- I can't sit here and

1 Xanthos

2 tell you how long it took them. I don't think it
3 probably took them more than 20 minutes or a half
4 hour to do, or more.

5 Before we would submit the reports we
6 would review them. It basically had to -- before we
7 would ever want to send it out, so that's kind of
8 the process of how we would do that.

9 Q They would distribute it by hard copy,
10 email?

11 A Email. That was the most efficient way
12 to do it.

13 Q So either Mr. Ng or Mr. Engel would email
14 these out once a week?

15 A Yes.

16 Q Besides distributing this data about the
17 non-securitized loan, what else did you do?

18 A We would discuss -- if anybody had a
19 question on anything they would basically ask us.
20 Sometimes we would have discussions about the
21 results with Susan Mills or Jim Demar.

22 Like I said, anyone who had a question
23 about it, you know, the intention of sending out the
24 report was just to get the information out to as
25 many people who were working on this as possible.

1 Xanthos

2 Information is a good thing.

3 So, again, just another benefit.

4 Q So who in the mortgage finance group got
5 this?

6 A I don't know. It's everyone who worked
7 on in terms of purchasing the loans, worked on
8 purchasing the loans, and everyone who was in the
9 mortgage finance group. I think there was an email
10 address with mortgage finance.

11 Basically that's the people that worked
12 for Susan Mills.

13 Q The bankers, what did you mean by the
14 bankers?

15 A Well, there were -- I guess they were
16 considered mortgage bankers or investment bankers.
17 They were people who basically would be
18 the main point of contact for the funding clients or
19 the securitization clients.

20 (Pause.).

21 BY MR. MINOR:

22 Q You had indicated with respect to
23 monitoring the non-securitized loan pools you came
24 up with this management report that was run weekly,
25 and it would show inventory and the performance of

1 Xanthos

2 the inventory, right?

3 A Yes.

4 Q What was the source of the information
5 that you used to create this specific report?

6 A I believe it was the loan management
7 system as we talked about before.

8 Q So the master --

9 A No.

10 The loan management system -- not to
11 complicate -- the master database is what I
12 described before, that was kind of what I developed
13 with the consultants --

14 MS. ELMADANY: That was for the
15 securitized product?

16 THE WITNESS: Yes.

17 For the most part, yes. Almost all of
18 the securitized product.

19 A The loan management system was really a
20 software system that a lot of the servicer data for
21 non-securitized loans were put into.

22 I don't want to say there wasn't data
23 that was put into the loan management system that
24 was let's say -- I don't know if what they were able
25 to get as far as the public securitization data, it

1 Xanthos

2 could have flown into the loan management system,
3 but, again, it was public information.

4 Q So you can see more than just -- through
5 the loan management system more than simply whether
6 or not the loan is securitized or unsecuritized,
7 there's other data --

8 A There is but it's not any -- it's limited
9 public available data for -- I think your question
10 was securitized.

11 For non-securitized, again, Citigroup
12 owned those loans so we could get information from
13 the servicer on a month in, month out basis which I
14 think then would be populated in the loan management
15 system.

16 BY MS. ELMADANY:

17 Q Who maintained the loan management
18 system?

19 A I don't know for sure who did.

20 Q Well, when you needed to extract data
21 from the loan management system, how did you get
22 access to it or who did you go to?

23 A We had access to it. I think everyone in
24 mortgage finance had access to it.

25 My team, we knew how to use the loan

1 Xanthos

2 management system. If you didn't know how to use
3 the system you would go to the analytics group.

4 Like I said, my team, we've learned how
5 to use that system and we knew how to extract data.

6 BY MR. MINOR:

7 Q To have an understanding of who it gets
8 sent out to, who is acting on that information, for
9 any performance changes?

10 A We put it out to the group that I
11 described before. If people had questions on it,
12 again, they could ask us or if they knew how to go
13 into the loan management system to kind of generate
14 whatever their question was.

15 Again, it was there just as a general
16 management report to kind of lay out in a very
17 straightforward manner how much -- how many loans we
18 had purchased and how they were performing.

19 Again, as I said before, it was by
20 package code so you could basically see what was
21 happening with those loans month in, month out.

22 BY MS. ELMADANY:

23 Q We have to go back to the master
24 database.

25 I had been under the impression which I

1 Xanthos

2 now know is wrong that the master database was only
3 with regard to securitized products.

4 A For the -- yes, it was.

5 Q Mostly? When you say for the most part I
6 start to question it.

7 A If you ask me -- the reason I said that
8 is because it was. The master database was put
9 together for the securitization product.

10 Now, if -- but we also incorporated the
11 loan data that was in the loan management system
12 into the master database, right, but for my team's
13 purposes -- so that's why I say to you mostly,
14 because I don't want to sit here and tell you that,
15 no, it only had securitization information.

16 We only acted on the securitization --
17 the securitized loans in the database, so even if it
18 had let's say some of the fields that were in LMS,
19 the loan management system, we really didn't access
20 it in terms of the master database. That was there
21 just to look at what we talked about before.

22 Q The master database contained the
23 information in the loan management system but that
24 was not part of the purpose of the analysis?

25 A Yes.

1 Xanthos

2 It could have been in the master
3 database, the non-securitized information, but to
4 the best of my information it really wasn't -- the
5 master database was not used to look at
6 non-securitized information.

7 Q I want to ask now about the loan
8 management system.

9 Within the loan management system, could
10 you tell if a payment on a loan was late?

11 A Yes.

12 Q Could you tell when the loan had been
13 purchased?

14 A Yes.

15 Q There's a phrase called an early payment
16 default.

17 Are you familiar with the phrase early --

18 A Yes, I am.

19 Q What does it mean to you?

20 A What does it mean to me? When we
21 purchased these loans, and when I say we, people
22 actually purchased -- actually negotiated the
23 purchase agreements -- there were issuers who
24 provide it -- some didn't -- with protection in that
25 if -- let's use this as an example.

1 Xanthos

2 We had a three month early payment
3 default clause. So after we purchased the mortgage,
4 if for three months after the fact that borrower did
5 not make a payment, or was delinquent in any of
6 those three months, we had the right to take that
7 loan and to go back to -- basically put it back for
8 repurchase or substitution to the seller of that
9 loan to us.

10 Q If you know -- of course this is all if
11 you know -- was there a person or a group within
12 Citigroup that looked at loans that had been
13 purchased to determine if there was an early payment
14 default?

15 A That was my group.

16 Once we developed the group we took that
17 function from another person that was doing that
18 within the group.

19 But, yes, we did the early payment
20 default.

21 Q Who was the person you took it over from
22 and what group were they in?

23 A The person's name was Richard Annunziata,
24 I'm pretty sure that's the last name, and he was in
25 mortgage finance.

1 Xanthos

2 I'm sorry. It's not Annunziata. It's --
3 it's with an A, the last name, but Annacario I think
4 the last name was.

5 That's the last name.

6 Q Don't fret about that. We're only going
7 to call him Richard.

8 To the best of your knowledge, how did
9 Richard go about monitoring or looking at loans to
10 see if an early payment default had occurred?

11 A Well, I don't know how he did it. I can
12 tell you what we did.

13 Q You don't know how he did it.

14 A I don't think it's too different than
15 what I'm going to describe.

16 Since, again, these were -- we basically
17 programmed our computer database, the loan
18 management system, to look at the purchase date and
19 then the early payment clause, and track whether --
20 so the system -- we would have to run the report
21 that would identify loans that didn't meet the early
22 payment default clause which we would identify,
23 okay, and then what we would do with that -- see,
24 that's the first step.

25 The second step, which is even more

1 Xanthos

2 important or equally as important is you have to
3 confirm that the borrower didn't in fact make a
4 payment.

5 Let me take another step back to further
6 clarify what I mean by that.

7 A lot of times with these loans, we would
8 buy a loan from an originator who also happened to
9 be the servicer of that loan. Let's say we bought
10 the loan and the servicing right when we purchased
11 the loan. Then we turned around and sold -- we sold
12 the servicing right to another servicer, so there's
13 a second servicer now.

14 The borrower doesn't -- either he
15 doesn't -- he is notified there's a new servicer but
16 he sends his payment to the person that gave him the
17 loan who also was a servicer.

18 So he in fact made his payment but our
19 servicer is sending us the data saying he didn't
20 receive the payment. So what we did to confirm that
21 that in fact happen, my group would submit those
22 names to a dedicated group at 406 Partners who was
23 an outside vendor for us who had a dedicated team
24 who would basically work with the former servicer
25 and the new servicer, right, as well as the

1 Xanthos

2 originator/seller of the loan and confirm the old
3 servicer didn't have the payment, or if the old
4 servicer did have the payment, that the old servicer
5 would then send the new servicer the payment and the
6 loan would show up as current.

7 If you have any questions about that, let
8 me know because I know it's a little --

9 Q Okay.

10 So there was a functionality that allowed
11 you to look at loans in the loan management system
12 and compare the purchase date and the early payment
13 default clause and track payments on those loans.

14 A Yes.

15 Q And then if it appeared for some reason
16 that a payment was missing or late, there would be a
17 follow-up to determine --

18 A We would provide the listing of those
19 loans, the listing of those loans, to our outside
20 vendor named 406 Partners who would do the ground
21 work with the current servicer as well as the former
22 servicer to determine that the borrower did or did
23 not make its payment.

24 Q Thank you.

25 MS. BUERGEL: Was that with respect to

1 Xanthos

2 every late payment in the system or only if the EPD
3 clause was in fact triggered?

4 THE WITNESS: If the EPD clause was
5 triggered, that's just basically how the loan was
6 identified.

7 So we just saw it was 30 days or 60 days
8 late.

9 Q Then 406 Partners follows up with the
10 servicers to find out what's going on with the
11 payment.

12 If the payment was actually in someplace
13 on time it's not really an EPD.

14 A Right.

15 What happens then, 406 would notify us
16 and we would take that loan off of the list --
17 again, because we didn't want to bother the seller
18 of the loan as well because, again, things like this
19 happen, we understood that, so we wanted to do as
20 much of the work to confirm or not to confirm so we
21 didn't waste anybody's time and we really had a --
22 we were just picking the proper loans to go back.

23 So we did a lot of that type of foot
24 work.

25 Q So now let's assume for this discussion

1 Xanthos

2 that a loan really is an EPD, the payment didn't get
3 made at all. We don't have to deal -- it just never
4 happened.

5 What happens next?

6 A We would contact the seller of that loan
7 and say, okay, this loan failed its EPD clause, we
8 would like you -- again, depending on the purchase
9 contract, they could either repay -- well, pay off
10 the loan to us or substitute a loan, similar like
11 type of loan.

12 So those were the -- that was the
13 process.

14 Q Did you report to someone about what you
15 were doing with regard to EPDs?

16 A Oh, yes.

17 Q Who?

18 A That was another report -- I had another
19 management report which would show that as well.

20 Q Was it called the other management report
21 or does it have a name?

22 A I don't recall but I think we called it
23 the EPD report.

24 Q But there was a report that was specific
25 to EPDs?

1 Xanthos

2 A Yes.

3 Q Who got the EPD report?

4 A The same people who I sent the other
5 reports out to.

6 Q So Mills, Demar --

7 A People within mortgage finance.

8 Q And the bankers?

9 A Yes.

10 They would be included in the mortgage
11 finance email list, yes.

12 Q So the seller says sure, no problem,
13 here's your money, finished.

14 The seller says no, what did you do?

15 A Well, in my experience, early payment
16 default is pretty clear-cut. It wasn't really that
17 much of an argument. They made a payment or they
18 didn't. There was really not that much room to say
19 I'm not going to do it.

20 In my experience, almost all of the time,
21 the originator/seller did buy back the loans.
22 Whether they were securitized or unsecuritized.

23 Q Which was going to be my next question.

24 Hold that thought.

25 Was there ever an occurrence where an

1 Xanthos

2 originator or -- the seller would say to you sorry,

3 I just don't have the money to buy it back?

4 A Sure.

5 Q It did happen?

6 A Not too often but it did, yes.

7 Q Who?

8 A Well, I don't know.

9 THE WITNESS: Can I --

10 Q You don't know?

11 A I do know but I don't know if that's --

12 MS. BUERGEL: You can provide the
13 information.

14 MS. ELMADANY: Thank you.

15 A Two I remember. One being New Century
16 and another company being I think it was American
17 Home.

18 Both companies went bankrupt.

19 Q Thank you very much.

20 So what do you do when the seller says
21 no?

22 A Well, we kept pursuing it. We have
23 claims into the bankruptcy trust to basically try to
24 get money.

25 MS. BUERGEL: And be clear where you're

1 Xanthos

2 speaking about things you have personal knowledge
3 about.

4 A I have personal knowledge about that,
5 yes. Because I was the one who worked with the
6 lawyers.

7 Q Caveat. I'm going to stop you whenever
8 you mention the word lawyer. Not to be rude. It's
9 just that those conversations are privileged and we
10 respect that privilege.

11 If it's something I ever need to address
12 with your counsel I will but otherwise I'm going to
13 stop you fast so don't be offended.

14 You actually touched on a topic that I
15 was about to ask about, which was we just discussed
16 this EPD report, the process, and that's great. Was
17 it different if the loan had been securitized or not
18 been securitized?

19 A No difference whatsoever.

20 Q If the loan had already been securitized,
21 were there other parties you had to get involved in
22 this?

23 Like did you have to tell the trustee?

24 A Yes.

25 Q How did that work?

1 Xanthos

2 A The trustee had to basically, per the
3 deal documents, request that the seller repurchase
4 the loans, as well as the monies -- money would go
5 to the trust.

6 Q So you're doing this recordkeeping about
7 the EPDs. So now if you -- we'll go way back. If
8 you identify a potential EPD, it comes up in the raw
9 numbers from the loan management system, do you give
10 that information to 406 on the list or do you give
11 it to someone else?

12 A Like I described, the list was determined
13 based upon a computer program that we had set up in
14 the loan management system.

15 The list was provided to 406 Partners who
16 then went out and confirmed or didn't confirm it was
17 a true EPD.

18 Once it was confirmed it was a true EPD,
19 the seller and the trustee I guess would be
20 notified.

21 Q So who notified the trustee?

22 A I think it was 406 on our behalf.

23 Q If it was a loan that had been
24 securitized, did you also learn that, you being the
25 mortgage finance group, from 406 that it was a true

1 Xanthos

2 EPD?

3 A Yes.

4 Like I said, there was no difference
5 between securitized -- the process was the process.
6 It was not any -- there was not any distinction.

7 Q So when someone had to go back to the
8 seller and say give me my money, was that your group
9 that did that?

10 A Well, again, 406 was dealing with the
11 servicer or the seller -- let's say the seller on a
12 pretty in-depth basis, so they pretty much were kind
13 of leading that.

14 If anything did arise I would be
15 contacted. Like I said, most of the time it's
16 pretty clear-cut. It's not that there's too much of
17 a disagreement.

18 Q So 406 didn't come back to you and say,
19 here's list, these are the true EPDs --

20 A They did.

21 Q They did come back to you with that list.

22 A They did.

23 Q 406 also went to the seller and said give
24 me the money?

25 A Well, again, depending on how the deal

1 Xanthos

2 documents -- if it was securitized they would do it
3 through the trustee but, yes, that's how it went.

4 Q What I need to understand is how they did
5 it through the trustee. I'm not understanding that
6 piece.

7 A Well, again, the deal documents specify
8 how that is completed so they just followed the deal
9 documents per early payment defaults.

10 Q Does it vary from securitization to
11 securitization?

12 A It could.

13 I'm not sure what's written in one
14 securitization versus another, but it should be
15 outlined.

16 Q Just in terms of people talking to people
17 or getting emails, if the loan was securitized, 406
18 told the people on your team if it was a real EPD.

19 A Yes.

20 Q This is the part I don't understand. Did
21 somebody from your team or from mortgage finance
22 contact the seller or 406 --

23 A 406, because they were the ones dealing
24 with -- we identify and then we kind of managed but
25 since they were dealing with their counterpart at

1 Xanthos

2 the seller who pretty much did this on a full-time
3 basis, so they would confirm, yes, we agree that
4 these 50 loans are early payment defaults and then
5 they would basically work toward determining that
6 the money -- the monies were correct, the accounting
7 of the 50 loans, and that would be sent directly to
8 the trust for the benefit of the investors.

9 Q With respect to the securitized loans, in
10 order to do this monitoring, this check, you needed
11 to have loan level payment records for the
12 securitized loans, correct?

13 A Yes.

14 Q Did you have that in all cases?

15 A I think we did, yes.

16 (Pause.)

17 BY MR. MINOR:

18 Q How long did this process take from the
19 406 Partners check of things that appeared to be
20 EPDs and it being their responsibility to check to
21 determine whether or not it was a valid EPD?

22 A It really varied on the cooperativeness
23 of the seller and the servicer.

24 Again, we tried to do it as quickly as
25 possible but, again, it depended on people's -- not

1 Xanthos

2 so much on our part but the entities we were asking
3 to repurchase the loans how quickly they could
4 process it, how many people they assigned to it and
5 their attention to taking care of it.

6 Q Was there a generally expected timeline
7 in which --

8 A There were. There were timelines that
9 specified it.

10 We monitored that as well. We tried to
11 make sure they adhered to it.

12 Q What was that standard time frame?

13 A I don't recall.

14 But if I'm forced to guess I could do
15 that but...

16 MS. ELMADANY: No.

17 Q Did this process work any differently
18 where the originator and the servicer was the same
19 entity?

20 A Nothing worked differently, but in that
21 scenario it should be much quicker to determine it,
22 because, again, you're not having to deal with that
23 second servicer.

24 So there it's one and the same. They
25 have always received the payment from day one and

1 Xanthos

2 they continued to do so so there isn't a check if
3 the servicing has been moved to another party.

4 MS. ELMADANY: Let's take a five-minute
5 break.

6 (A recess was taken.)

7 (Luncheon recess taken at 12:55 p.m.)

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1 Xanthos

2 A F T E R N O O N S E S S I O N

3 1:15 p.m.

4 J A M E S X A N T H O S,

5 having been previously duly sworn, was

6 examined and testified further as follows:

7 MS. ELMADANY: We're back on the record

8 after a recess, during which time there have been no

9 conversations of substance between the staff,

10 Mr. Xanthos or his counsel.

11 Is that correct?

12 MS. BUERGEL: Yes.

13 EXAMINATION

14 BY MS. ELMADANY:

15 Q When we began your testimony, I indicated

16 to you that we would mark for the record the letter

17 which was sent to you by which we scheduled your

18 testimony today.

19 MS. ELMADANY: With that I will ask the

20 reporter to mark it as Enforcement Exhibit Number 8,

21 a letter dated March 5th, 2009 on the letterhead of

22 FINRA addressed to you, and the signatory is Marc B.

23 Minor, Senior Counsel.

24 (Marked for identification.)

25 BY MS. ELMADANY:

1 Xanthos

2 Q I'll ask you to take a look at that.

3 (Pause.)

4 Q Mr. Xanthos, for the record, is it
5 pursuant to the letter before you that's marked as
6 Enforcement Exhibit Number 8 that you appeared and
7 testified today?

8 A Yes.

9 Q Thank you.
10 Mr. Xanthos, in connection with this
11 investigation which is certainly much broader than
12 yourself, FINRA has asked and Citigroup has provided
13 us with email from various sources, and I'm going to
14 ask the reporter to mark as Exhibit 9 a chain of
15 emails that were extracted from the email of a
16 Mr. Paul G. Humphrey, and the chain is three pages
17 in length, and just for identification purposes it
18 begins on the last page with an email from a
19 Mr. Brian Hugo to a Mr. Mark Palko, P-a-l-k-o, and
20 Peggy Banchek, B-a-n-c-h-e-k, and that's dated
21 February 26th, 2008, and it ends at the top of the
22 first page with an email from yourself to a Mr. Paul
23 Humphrey. It's dated March 7th, 2008.

24 MS. ELMADANY: I'm going to ask the
25 reporter to mark this as Enforcement Exhibit

1 Xanthos

2 Number 9, and then we'll have a moment to discuss
3 it.

4 (Marked for identification.)

5 MS. BUERGEL: Do you happen to know the
6 corresponding control number?

7 No problem. We can perhaps touch base
8 about those at another time.

9 (Pause.)

10 BY MS. ELMADANY:

11 Q I want you to take your time reviewing
12 this, because I will note for the record that you
13 are only a party to the last few, I think it's four
14 emails in this chain, but you received the whole
15 chain.

16 So take your time and look it over.

17 (Pause.)

18 A Okay.

19 Q Who is Paul Humphrey?

20 A Paul Humphrey was a banker in the
21 mortgage finance group.

22 Q When you say a banker, you referred to
23 those as the persons within mortgage finance who
24 have the -- who had the relationship with the
25 entities that Citigroup was either loaning money to

1 Xanthos

2 or buying loans from?

3 A Yes.

4 Q Who is Brian Hugo?

5 A Brian Hugo was an analyst in the mortgage
6 finance group.

7 Q What was Mr. Hugo's function?

8 A As best as I can recall him, he's more of
9 like a junior person who works on various different
10 issues that come up during the day in regards to the
11 types of businesses that mortgage finance is doing.

12 Q Was he ever part of your team of people
13 that we talked about who did the surveillance part?

14 A No.

15 Q Mark Palko, do you know who Mark Palko
16 is?

17 A No.

18 Q Peggy Banchek?

19 A No.

20 Q In the middle of the second page, the
21 name David Ratner, do you know who David Ratner is?

22 A No.

23 Q That's all of the names.

24 The line of emails starts at the back,
25 and about -- towards the top of the second page

1 Xanthos

2 there's a paragraph that reads as follows: I am
3 trying to tie as much as I can from what you
4 provided in the Word file to what is in the latest
5 remittance. On the Word file you indicate the
6 number of BK loans in each category. However, would
7 you be able to provide that associated balance as
8 well. Also, could you do the same for loans in REO
9 and FCL.

10 You were not a party to the email and I'm
11 not saying that you were, but do you know in the
12 context of that paragraph what the Word file that is
13 referred to is?

14 A No.

15 Q Do you know what the remittance that is
16 referred to is?

17 A No.

18 Q Do you know what BK loans are?

19 A I know what BK normally stands for.

20 Q Okay.

21 A Bankruptcy.

22 Q REO?

23 A Real estate owned.

24 Q FCL?

25 A Foreclosure.

1 Xanthos

2 Q What does real estate owned mean?

3 A Those are properties that have basically
4 gone through the foreclosure process from beginning
5 to end and is owned by -- in this case I guess it
6 would be owned by the trust, being the property has
7 reverted back -- the borrower has defaulted on the
8 mortgage, and basically the mortgage now is in the
9 name of the trust.

10 Q Thank you.

11 When we get to the first page of this,
12 Mr. Humphrey send you an email and asks you if you
13 have a minute to discuss, question mark, and as we
14 go further up the email it's basically I'll be there
15 in five minutes.

16 Looking at this document, do you have any
17 recollection of what was being discussed here?

18 A Not really, no.

19 Q Do you have any recollection of having
20 any discussions with Mr. Humphrey about the subject
21 of this email?

22 A No.

23 Q With Mr. Hugo?

24 A No.

25 Q Mr. Palko's name is associated in the

1 Xanthos

2 emails with NationalCity.com. What is National
3 City?

4 A I'm taking it's a banking institution.

5 Q Do you have any -- have you had any prior
6 experience or knowledge of National City?

7 A Generally I just know what -- Nat City is
8 a bank.

9 Q It's a bank.

10 Was Nat City an entity that Citigroup
11 provided financing to or bought loans from?

12 A I don't know if we provided financing to
13 National City.

14 I do think we purchased loans from
15 National City.

16 Q Looking at the second page, towards the
17 bottom, there's an email from Brian Hugo to Mark
18 Palko and Peggy Banchek, and it says David -- says
19 David was to provide additional delinquency info
20 ranging from 90-120, 120-150, and 150-180 days. As
21 we noted, remittances only give a 90 plus bucket.
22 Thanks.

23 Do you know what that's referring to,
24 those 90-120, 120-150 and 150-180 day compartments?

25 A Your question is do I know --

1 Xanthos

2 Q What that means.

3 A Per this, it just appears that it's
4 delinquency ranges.

5 Q Do you recall any of the circumstances
6 revolving around this email, or any discussions you
7 had or communications you had regarding any of the
8 contents?

9 A Not really, no.

10 Q Anything at all?

11 A No.

12 Q All right.

13 Did you have any -- your surveillance
14 group, did you have any involvement in I guess
15 tracking or identifying loans that went into
16 bankruptcy or REO or foreclosure?

17 A That's what we were talking about
18 before. In terms of the monthly performance
19 reports, those are categories that are identified in
20 those reports, by number of loans, as well as by
21 dollar amounts.

22 Q These are the monthly performance reports
23 that are on the websites or the monthly reports that
24 your team produced?

25 A No. Those are the monthly reports that

1 Xanthos

2 are provided to the trustee, which is then posted on
3 a website for the investors where the general public
4 as a whole can go in and view.

5 Q Then let me rephrase it.

6 Did the loan management system identify
7 loans that had -- that fit within one of these
8 status of bankruptcy, REO or foreclosure?

9 A It did.

10 Q It did?

11 A Yes. Based upon the information that was
12 provided by the public sources.

13 Q So if it was in the trustee report, then
14 it would be in the loan management system?

15 A It would -- again, if there were loan
16 level data that was published along with the monthly
17 performance reports, then as we discussed before,
18 there would be a person in analytics who would
19 download that information which I would imagine he
20 would then update the loan management system with
21 the updated data.

22 Q I think there was a lot of guessing going
23 on.

24 A Again, because I don't -- I'm telling you
25 what I think. I don't know a hundred percent what

1 Xanthos

2 people did.

3 Your question was would that information
4 be in the loan management system. Per my
5 recollection, information such as loans in
6 bankruptcy, foreclosure, REO, were in loan
7 management systems.

8 Q Okay.

9 A The particulars on who did what, what
10 time of the day they did it, I don't recall.

11 Q Thanks.

12 So that information was in the loan
13 management system?

14 A From what I recall, yes.

15 Q Now, there was the master data bank --

16 A Master database.

17 Q -- master database that you created.

18 A Yes.

19 Q Did that database contain information
20 about loans that were in bankruptcy, REO or
21 foreclosure?

22 A Yes.

23 Q What was the source of that information
24 in the master database?

25 A Some sources that we just described in

1 Xanthos

2 terms of the loan management system.

3 It could be information provided to

4 Bloomberg. Bloomberg has a very extensive mortgage

5 analytics tool on their -- on the Bloomberg

6 terminals.

7 It could be information provided by the

8 servicer or the trustee to loan performance.

9 It could be information that was provided

10 to our credit risk manager.

11 It's coming from a lot of different

12 sources. However, the one source that all of this

13 information is really coming from is coming from the

14 trustee's websites which have that information.

15 Q So when the information -- I think I

16 misunderstood something. I want to be clear.

17 I thought the information that went into

18 the master database included information from the

19 credit risk manager, correct?

20 A Yes.

21 Q And that information could potentially be

22 more detailed than what was on the trustee's

23 website?

24 A Yes.

25 Q Were there instances where the master

1 Xanthos

2 database contained information that was more
3 detailed than what was on the trustee's website?

4 A There could be.

5 Again, it depends on -- let's say we had
6 downloaded information that Clayton or Pentalpha had
7 obtained, where they had specific servicer comments
8 or updated credit scores or updated appraisal
9 scores, that is information that would not be
10 available on the public website.

11 (Pause.)

12 Q This is a long string of emails. We're
13 going to mark it as Exhibit 10.

14 The first email starts on the fourth
15 page, and it's from an individual called Vadim,
16 V-a-d-i-m, Krisyan, K-r-i-s-y-a-n, to David Ratner
17 with a cc to Hasan, H-a-s-a-n, Rizvi, R-i-z-v-i, and
18 the subject line is CMLTI 2006-NCB-1 remittance.

19 Then this chain of email goes up to the
20 top one, which is from Brian Hugo to Paul Humphrey
21 on March 10th, 2008, with the exact same subject
22 line.

23 You appear on the first page for the
24 first time of this string of emails, so once the
25 reporter marks it as Exhibit 10 I want you to take

1 Xanthos

2 your time, review it, and then we'll go over it
3 together.

4 (Marked for identification.)

5 (Pause.)

6 A Okay.

7 Q Thank you for taking the time to review
8 that.

9 We're referring to the document marked as
10 Exhibit 10, and I'm going to start as I did before
11 with who's who.

12 Do you know who Vadim Krisyan is?

13 A Yes, I do.

14 Q Who is that?

15 A He's an analyst within the analytics
16 department.

17 Q Hasan Rizvi?

18 A He's also within the analytics group.

19 Q Do you know what his function was?

20 A I think he oversaw the analysts group in
21 analytics.

22 Q David Ratner appears again here. Does
23 reading this in any way give you any recollection of
24 who he is?

25 A No.

1 Xanthos

2 But just looking at this, it looks like
3 he is -- he's at Citibank agency and trust, so I'm
4 taking it that he's the trustee or the main contact
5 for the trustee on this particular deal.

6 MS. BUERGEL: But you're speculating; is
7 that fair to say?

8 THE WITNESS: Yes.

9 I'm just looking at what the subject is
10 and his -- where he works and what he does.

11 Q Do you know what Citibank agency and
12 trust is?

13 A No more than what I just see on this
14 piece of paper here.

15 Q I think we did all of the other names
16 already.

17 Your first appearance in this string of
18 emails is at the top of the second page, and it's
19 from Mr. Krisyan to yourself and the rest of your
20 team, Mr. Engel and Mr. Ng, and the same subject
21 line we discussed before, and it says please see
22 below. The trustee will be revising these prior
23 months based on the discrepancies we found. We
24 forward them additional issues we come across as we
25 go through the loan level data.

1 Xanthos

2 Do you have any recollection of these
3 emails or the subject matter of these emails?

4 A Just vague recollections. Nothing
5 specific.

6 Q I'll take it. What's your vague
7 recollection?

8 A Basically just reading through this,
9 again, it's just a vague recollection of just Vadim
10 and certain other people in analytics I remember
11 them working with either Peter or Joe on these -- I
12 guess the way the servicer or the trustee was
13 presenting some of the data in the monthly
14 performance reports.

15 But I don't recall anything more specific
16 than just kind of what I've read here.

17 Q And that's already a lot more than I
18 knew, so that's good.

19 So what's being discussed, then, is the
20 way the trustee is presenting data in the
21 performance -- in the monthly performance reports we
22 talked about before?

23 A Yes.

24 It seems like there's -- in terms of the
25 buckets, just -- that's what I was looking at when

1 Xanthos

2 you first gave me this piece of paper, in terms of
3 slight differences in the number of loans in certain
4 classifications.

5 Q When you say the bucket, what do you mean
6 by that?

7 A Again, as it's pointed out on I guess
8 page 5 here, bankruptcy 90 plus and foreclosure 90
9 plus.

10 Q I'm completely lost.

11 A If you go to page 5, toward the --
12 three-fourths of the way down the email message --
13 it's right here.

14 Q Issues with the December 2007 remittance,
15 so we're reading there?

16 A Yes.

17 Q When you say a bucket, you mean a
18 category of loans?

19 A Right.

20 Bankruptcy is a category of loans.

21 Foreclosure is a category of loans.

22 Then again, within each category there
23 are subsets. Because you can be a foreclosed loan
24 and be included in the foreclosure, but, again, you
25 have a different timeline. You could be a 30-day

1 Xanthos

2 loan -- 30 day delinquent loan in foreclosure, a
3 60 -- on a granular level, you further distinguish
4 that loan within each bucket.

5 Q For example, if we look at that piece of
6 the email at the bottom of the page that's numbered
7 page 5 of 8, and it starts with issues with the
8 December 2007 remittance, it says I am showing three
9 and three loans in the (BK/90 plus) and (FC/90 plus)
10 buckets respectively, but the remittance is showing
11 four and two loans for these buckets. I think we
12 already discussed about that issue. Loan number
13 19110 should be updated.

14 Have I read that properly?

15 A Appears so, yes.

16 Q Now we're talking about what a bucket is
17 and then substrata within that bucket, so when it
18 says in brackets BK/90 plus, what does that mean?

19 A Well, my thought process of what it means
20 is it's a bankrupt loan that is also 90 days or more
21 delinquent.

22 Q That means that the borrower is bankrupt.

23 A The bankrupt has declared bankruptcy.

24 Q And hasn't paid for 90 or more days?

25 A Yes.

1 Xanthos

2 Q The next bracket is FC/90 plus, and
3 that's foreclosed?

4 A Yes.

5 Q And then I don't get the rest.

6 A It's a foreclosed loan and also the same
7 as before, this borrower is 90 plus or more days
8 delinquent.

9 Q What causes a loan to go into
10 foreclosure?

11 A There's a lot of reasons. The main
12 one -- again, there's always different scenarios, no
13 one situation is the same.

14 However, as we were talking about before,
15 again, it depends on the servicer's policy and a lot
16 of this has changed over time, but normally a
17 servicer will put a borrower in default let's say on
18 the 91st day of delinquency. So they initiate the
19 foreclosure process on the 91st day.

20 Some servicers may do it on the 121st
21 day.

22 MS. BUERGEL: When you say default, is
23 that the first stage of a foreclosure process?

24 MS. ELMADANY: That was my next
25 question.

1 Xanthos

2 THE WITNESS: Say it one more time.

3 MS. BUERGEL: You said on the 91st day,
4 whatever the servicer's policies or practices were,
5 if it's 91 days delinquent it would be put in
6 default. That is the first step in the foreclosure
7 process?

8 THE WITNESS: Basically there's a legal
9 declaration or letter that basically goes out to the
10 borrower and also gets filed in the locality where
11 the home is. That's the initial stage.

12 There's different -- there's a timeline
13 within foreclosure that is one of the ways that
14 people analyze the effectiveness of a servicer.

15 So they are doing the right -- if they
16 are taking the right steps in the right timeline,
17 that's one of the ways the rating agencies, that's
18 one of the things they are taking into consideration
19 about how good a servicer is.

20 That's basically one of the benchmarks
21 they use from one servicer to the next.

22 Q We're going to veer off here a little
23 while. I didn't know rating agencies rate
24 servicers.

25 A They do.

1 Xanthos

2 Q You mean like Standard & Poor's and
3 Moody's rate servicers?

4 A Yes. There are servicer ratings.

5 Q Does the servicer's rating somehow impact
6 the rating of a securitization?

7 A It could, yes.

8 Q How?

9 A Well, again, if a servicer is well
10 thought of and they can demonstrate that they are
11 successful in rectifying problem loans, dealing with
12 borrowers who are kind of experiencing economic
13 turmoil, or they can show they are diligent in
14 meeting the timelines, it's -- again, time is --
15 time and dealing with borrowers who can't make their
16 payments are the keys to really how a loan
17 performance and ultimately I guess if a property has
18 to be taken into REO, it's also a function of loss
19 severity that would be experienced for the trust or
20 holder of that loan.

21 Q So if a property is taken into REO -- I'm
22 adopting your terminology, it's not that I was
23 trying to show off -- if a property is taken into
24 REO and the trust owns it, is it the servicer that's
25 responsible for disposing of it somehow?

1 Xanthos

2 A They will work with a broker, put the
3 property back on the market through a broker, and
4 they will market it and try to sell it.

5 Q The information in Mr. Krisyan's email to
6 Mr. Ratner, the first one, back on February 27th,
7 indicates that he's looking at a universe of data
8 and somehow it's different from whatever this
9 remittance is showing.

10 Do you know what universe of data
11 Mr. Krisyan had access to that would be different
12 from what's showing on the trustee's monthly report?

13 A I don't know.

14 Q Was Mr. Krisyan one of the people who had
15 access to the master database?

16 A No.

17 Q If you know, was Mr. Krisyan one of the
18 people that had access to the loan management
19 system?

20 A I'm pretty certain he had access to the
21 loan management system.

22 Q Generally, Mr. Krisyan seems to be saying
23 that there are these differences. Other than this
24 instance, were you ever aware of an instance or a
25 situation where information that Citigroup had was

1 Xanthos

2 different than information that was in the monthly
3 performance or remittance reports?

4 A Not that I'm aware of, no.

5 Q Is the information that's in here about
6 these differences, does it strike you as
7 extraordinary?

8 A Not really.

9 I mean, again, looking at this, the
10 amount of loans, there were six loans in total. It
11 seems like one of the loans were -- one or give or
12 take were -- there seems to be just a disagreement
13 as to where it should be slotted, but in my
14 experience in the normal course of this that's not
15 unheard of.

16 Again, it's -- it happens. It doesn't
17 happen all the time but it happens.

18 Again, it's human error sometimes between
19 what is provided by the servicer to the trustee and
20 how basically the trustee will show the information
21 on a month in, month out basis.

22 A lot of times a trustee will reissue a
23 remittance report, so -- from what they previously
24 issued.

25 Q That's not an uncommon event?

1 Xanthos

2 A With the loans we're talking about, the
3 granularity, it doesn't happen often but when it
4 happens it's not unheard of when it happens.

5 Q Something you just said. The servicer
6 doesn't put the loans in the bucket?

7 A The servicer provides the information,
8 right, on a loan by loan and probably on an
9 aggregate basis to the trustee.

10 The trustee -- the deal documents
11 prescribe how they should show it, what they should
12 show, so, you know, normally -- again, I never
13 worked for a trustee and I don't really know how
14 they go about it, but normally it's just a flow
15 through.

16 Sometimes they will -- again, it's human
17 error that could occur where they may slot it or
18 just -- when they transcribed the numbers, they may
19 make a mistake.

20 Q Your answer just implied so much more
21 than my question. It's actually a pretty simple
22 one.

23 When the servicer passes the information
24 to the trustee, is it -- do they put these loans in
25 the buckets or is that what the trustee does?

1 Xanthos

2 A From what I'm aware of and what I'm --
3 how I'm answering the question, the servicer
4 provides to the trustee the loans in the buckets.

5 Q In the buckets?

6 A I'm thinking they do that.

7 If they don't, I'm pro -- I don't know if
8 they give it to them the exact same way you see it
9 in the mortgage performance report. They may, or
10 they will provide them with all of the loans in a
11 spreadsheet and then the trustee will, using a pivot
12 table, 30-60, 60-90, foreclosure.

13 How they do it, again, like I said, I
14 didn't work for a trustee so I don't know. But I
15 would think it would be either of the two I just
16 described to you.

17 Q What's a pivot table?

18 MS. BUERGEL: It's an Excel function.

19 MS. ELMADANY: Thank you.

20 A Just makes it easy to characterize things
21 when you have a huge spreadsheet. That's all.

22 MS. BUERGEL: It's a term of art within
23 Excel. It's a way to pivot the data in order to
24 stratify it.

25 MS. ELMADANY: Which I'm familiar with.

1 Xanthos

2 I thought it was -- never mind.

3 (Pause.)

4 Q Do you recall -- just moving up the chain
5 of emails, do you recall having any discussions or
6 communications with anyone listed within these
7 emails or anyone else at Citigroup regarding these
8 issues?

9 A I remember I think Peter Engel was
10 assigned to this deal. I think we discussed -- I
11 think I asked him to discuss what was done here with
12 I think the people in analytics, since he was the
13 main analyst for that -- for this deal, so other
14 than that I don't recall anything more in-depth or
15 anything specific more than what I just said.

16 Q Something you just said and I think you
17 actually mentioned it earlier.

18 Each of Mr. Engel and Mr. Ng had
19 securitizations or deals assigned to them; is that
20 correct?

21 A Yes.

22 Q Were there records kept of which deals
23 were assigned to whom?

24 A Yes.

25 Q On the second page of the exhibit, at the

1 Xanthos

2 bottom, Mr. Krisyan asks Mr. Ratner will you be
3 posting the revised remittances on the website.

4 Do you understand that to mean the
5 monthly performance reports we were talking about?

6 A I believe so, yes.

7 Q If you know, when a monthly performance
8 report was changed or replaced in some way, did the
9 website indicate that there was a change or a
10 replacement in a monthly performance report that had
11 been posted before?

12 A In my experience, no. A lot of times we
13 would basically re-download the remittance reports,
14 as we were saying, monthly performance reports, but
15 I don't recall anything like a flashing indication
16 on the website where it would say that.

17 Q I'd settle for any indication.

18 A People would see it -- if you were
19 invested in that security and you were diligent in
20 looking at the monthly performance report/remittance
21 reports, and you were keeping track of it like we
22 talked about before, you would see it. You would
23 see the changes.

24 Q How?

25 A By the number -- by the number of loans.

1 Xanthos

2 Maybe a loan -- okay. Good example. Maybe there
3 were ten loans in bankruptcy one month, and then the
4 following month there were two. It could be a lot
5 of those people were successful in their bankruptcy
6 plans, so maybe the servicer then moved out of the
7 bankruptcy bucket and went back into the term
8 bucket. But normally eight borrowers to go out of
9 foreclosure in a month is not the norm. Then that
10 would -- I don't know. I don't recall ever seeing
11 like that many notes. You would think -- sometimes
12 there would be but not -- I don't know. In my
13 experience of looking at these things, I don't
14 recall if I would always see notes but the way we
15 would go about it and we would see the numbers and
16 because we were tracking the numbers we would be
17 able to figure it out or ask questions.

18 Q Here's what I think I understand from
19 that, that sometimes when one of these monthly
20 performance reports was replaced or changed there
21 might be a note or an indication on the website?

22 A Could be.

23 Q Do you recall ever seeing any of those?

24 A Me personally? I don't. From what I
25 recall at this moment.

1 Xanthos

2 Q That's fine.

3 Even if there wasn't, the way -- there
4 was a way that somebody might know there had been a
5 change?

6 A You could. Again, it depends on how
7 diligent you are and how closely you look at the
8 numbers.

9 (Pause.)

10 BY MR. MINOR:

11 Q Was there any difference in the way that
12 delinquency was calculated by the servicer versus by
13 securitized loans in a trust?

14 For example, on the previous email in
15 Exhibit 10, the email suggests that a particular
16 loan may be 90 days plus. Is that 90 calendar days
17 if you know, or is that 90 days passed the beginning
18 of a month?

19 A It depends on the servicing methodology.

20 There are two servicing methodologies.
21 There is an OTS method and the MBA method.

22 Q What do those refer to?

23 A Just exactly what you said. It could be
24 the day after the due payment or it could be a month
25 after the due payment.

1 Xanthos

2 But that's spelled out in the deal
3 documents. So, again, you could read that and then
4 kind of know for a certainty how they were going
5 about doing it.

6 Q Okay.

7 (Pause.)

8 Q Is there any way to tell by looking at
9 Exhibit 10 what methodology that discourse is
10 referring to?

11 A Based on what I'm seeing here, I wouldn't
12 be able to tell. I don't think it goes into that
13 amount of detail.

14 (Pause.)

15 BY MS. ELMADANY:

16 Q Aside from the trustee website and
17 those --

18 MS. ELMADANY: Strike that.

19 Q Was there any means by which Citigroup
20 published or made publicly available information on
21 the performance of its securitizations?

22 A Historical, meaning --

23 Q Yes.

24 A Yes, there was.

25 Q How?

1 Xanthos

2 A They would post it on a public website.

3 Q So Citigroup actually posted them on a
4 website?

5 A Yes.

6 Q What was it?

7 A I don't know the specific but I'm sure
8 someone can provide you with that website.

9 Q So Citigroup posted performance
10 information for its securitizations on some website,
11 and do you know what the source of that data was?

12 A The source of that data was really the
13 monthly performance reports. Again, the same
14 information that's available to the public.

15 Q In an instance such as the one we see
16 discussed in Exhibit 10 where there's some
17 difference between the data that Citigroup has and
18 the data as it's reflected in the trustee -- the
19 monthly performance report from the trustee, which
20 data did Citigroup post on this website? Was it --

21 A Well, again, the trustee is responsible
22 for posting the data and making sure that it's
23 correct.

24 So when I look at these emails you
25 provided to me, this shows me we as a group going

1 Xanthos

2 above and beyond, and it's a good thing we're
3 looking at it, where we see a discrepancy based upon
4 information that we have or maybe -- probably most
5 likely public information that was out there, where
6 we're just asking the trustee to answer a question,
7 and it appear that the trustee went back and looked
8 at it, maybe they did it by themselves or maybe they
9 did it with the servicer, and realized they just had
10 to reissue the remittance report.

11 Q So I understand that there's a website
12 where the trustee publishes the monthly performance
13 report, and then there's a separate place where
14 Citigroup posted performance --

15 A It's historical performance.

16 Q What do you mean by historical
17 performance?

18 A That's what you asked. If there was
19 historical performance.

20 I forget the name of the regulation, but
21 every issuer is required to issue historical
22 information on their securitization platform.

23 That's what I was referring to before.

24 Q Is the information that is on the
25 securitization platform with respect to the same

1 Xanthos

2 deals that information is being posted on trustee
3 websites?

4 A Say your question one more time.

5 Q There are two websites. One is the
6 trustee's website, and one is the Citigroup
7 securitization platform.

8 A Right.

9 Q Two separate things?

10 A They are separate, but in reality they
11 are one and the same.

12 Because, again, we're using the
13 information that's provided to us as well as
14 everyone in the public that is publicly issued.

15 If a remittance has been updated, then
16 everyone involved, every investor, would update
17 their numbers. So there's really no way there could
18 be a difference.

19 Hence, what I was saying to you before,
20 when you have all of this data coming in from all
21 these different sources they are all coming in
22 reality from one place and that's the trustee.

23 In reality, if there is a difference
24 computer-wise, technology-wise, theoretically you
25 can find it.

1 Xanthos

2 Q Like Exhibit 10 did.

3 A This is by looking at just further
4 designating or just further analyzing a pool of
5 loans -- a couple of loans that were -- there was
6 only one or two loans that were basically maybe -- I
7 guess the question was, is this the proper bucket to
8 slot it into, and based upon what I guess Vadim had
9 seen, based upon the information that was out there,
10 he asked the question.

11 Q When we look at Exhibit 10, it's not --
12 the only remittance report referred to isn't the
13 December 1 at the bottom of the fourth page, there
14 are additional ones referred to. And they each have
15 different numbers --

16 A It's consistency, right? If they are
17 basically slotting it not in the right manner, they
18 are going to be consistent from month to month.

19 Evidently -- again, there's different
20 people doing these things. I don't know if there's
21 a dedicated group at the trustee who basically takes
22 the information, sometimes there are new people who
23 maybe don't know how the prior person was doing it,
24 or they did it a little different. So that's
25 something that's pretty normal.

1 Xanthos

2 It normally doesn't happen but an example
3 like this is not unheard of.

4 Q Let's put aside for a second how it winds
5 up in the wrong bucket or sub-bucket. That's not my
6 question.

7 The information -- the information that
8 Exhibit 10 indicates to me is that Mr. Krisyan is
9 looking at something and is drawing a different
10 conclusion or is looking at different data than the
11 trustee is looking at.

12 When Citigroup posts its information on
13 its website, is it posting based on what Mr. Krisyan
14 is -- Mr. Krisyan's data, or the trustee's data?

15 A One, I don't know what Mr. Krisyan had in
16 terms of loan level information. My guess would be
17 he had the same information that was publicly
18 available for any investor.

19 When he pivot tabled the loans, he saw a
20 discrepancy which he pointed out to the trustee.

21 The trustee then updated that month's as
22 well as prior months' remittance reports which then
23 would have been updated on Citi's historical. So it
24 was one and the same as I said before.

25 There wasn't a difference between what

1 Xanthos

2 was posted on the trustee's website versus what was

3 posted in Citi's historical loan -- deal level.

4 It's one and the same.

5 MR. BUERGEL: You're speaking from your

6 understanding of what happened, you don't really

7 know what literally happened with respect to --

8 THE WITNESS: No.

9 I'm just giving you a general

10 understanding of basically how this works.

11 Q When you say -- just so I understand what

12 you mean by historical. When you talk about

13 historical with respect to Citigroup's website, what

14 do you mean?

15 A I forget the name of the regulation.

16 However, every issuer had to provide historical

17 information so depending on when the -- the year.

18 For some reason -- I don't want to

19 guess -- it could have started from 2005 onward

20 where they have to post -- every issuer again would

21 have to post the performance of the securitizations

22 on a publicly available website.

23 That's all I'm saying.

24 Q When you say historical, you don't mean a

25 securitization is completely closed out, you mean

1 Xanthos

2 the prior months of a securitization that there are
3 securities outstanding?

4 A Well, let me give an example.

5 For every deal that was done in 2005
6 onward, there would be historical information on
7 2005 deals, 2006, 2007.

8 Q Let's just pick a deal. So seal 2005 A,
9 the very first deal of the year, if I look at the --
10 if I look at the website the months after the deal
11 is done, what will I see?

12 A You will see most likely that month --
13 we're in February, you would see January's
14 performance information on that loan, just like you
15 would if you went to the trustee's website.

16 Q Is it the trustee's monthly performance
17 report that gets taken up and put whole into --

18 A For the most part, yes.

19 Q I was going to say put into Citigroup's
20 website.

21 A Again, the information that is provided
22 by the trustee is what everyone from rating agencies
23 to investors to whoever, that is -- that's the
24 official scorecard of the securitization.

25 So there are no differences between any

1 Xanthos

2 of those -- there's one source, so from that one
3 source as I was saying to you before, from that one
4 source all of these different vendors, loan level
5 vendors, obtain that information from one source and
6 that's from the trustee.

7 Q So the -- just to go back, the trustee's
8 monthly performance report was taken as it existed
9 at the moment and put into Citigroup's website?

10 A That is information that we -- that was
11 accumulated and then posted after it was audited --
12 again, we had auditors who investigated this and
13 confirmed the numbers are right, and how do they do
14 that? They went back to the trustee website, just
15 like I explained.

16 Q So there's -- is there a time -- some
17 time lapse between when the information goes on the
18 trustee's website and on the Citigroup website?

19 A I don't recall the time length.

20 Q You said that Citigroup accumulated the
21 data. What data are you talking about?

22 A The trustee data.

23 Q Then you said it was audited. Who
24 audited the trustee data?

25 A Whoever our auditor was at the time.

1 Xanthos

2 Q Citigroup's auditor?

3 A It could be Citigroup's auditor or it
4 could be an external auditor.

5 From what I recall, it was always an
6 external auditor.

7 Q The auditor worked for whom?

8 A The outside auditing firm.

9 Q Who engaged the outside --

10 A I don't recall the auditor's name.

11 Q I didn't ask the name.

12 A The firm. I don't know.

13 Q That wasn't the question either.

14 Someone engages an auditor.

15 A Yes.

16 Q Who engaged the auditor, regardless of
17 who it was?

18 A I don't know. Probably the
19 securitization team.

20 Q Someone within Citigroup?

21 A Yes.

22 Q So the auditor is engaged by Citigroup.
23 What is it that the auditor is engaged to do?

24 A The specifics I don't know. I don't know
25 what the audit engagement letter provided.

1 Xanthos

2 I do recall that they would do an audit
3 of the historical information.

4 Q By historical information, you mean the
5 information in the trustee's monthly report?

6 A The information that we posted based upon
7 the -- that was historical information on the
8 securitizations.

9 Q I really just need to understand if there
10 is a difference between what appeared on the
11 Citigroup website and on the trustee's website.

12 A I'm answering you. I don't think there
13 really -- there really is no difference.

14 Q The auditor is auditing -- what's the
15 data source he uses for his audit?

16 A I don't know.

17 Q Did you ever interact with the auditors
18 for any of these --

19 A No.

20 Q -- these website issues?

21 MS. BUERGEL: Let her finish the question
22 and then you can provide your answer.

23 A No.

24 Q Can you identify anyone who -- can you
25 identify anyone the auditors did interact with in

1 Xanthos

2 performing this duty?

3 A No.

4 Q You don't know any of the auditors that
5 were used?

6 A No.

7 Q How did you know there was an auditor
8 involved?

9 A Well, again, I know that the -- the
10 historical data, it would get posted on I think a
11 quarterly basis, and this was all part of the
12 securitization function.

13 I think I recall that as part of that
14 securitization process, the auditor would look at
15 the historical data as well, or update it since the
16 last time they did it.

17 That's why I said what I did.

18 Q So the auditor performed this function on
19 a quarterly basis?

20 A I don't know when the auditor did it.

21 Again, I said to you I don't know the
22 specifics of it. All I do know is that the numbers
23 were audited.

24 Q And we're referring to the numbers on the
25 Citigroup website, not the trustee website?

1 Xanthos

2 A Yes.

3 BY MR. MINOR:

4 Q You said you believe the historical data
5 on the Citigroup website was posted on a quarterly
6 basis?

7 A I believe so.

8 BY MS. ELMADANY:

9 Q Are you aware of any instance with regard
10 to a securitization where the information on the
11 trustee's website and the Citigroup website was
12 different?

13 A No.

14 Q Did anyone ever make you aware of any
15 audit findings with respect to any of the
16 securitizations?

17 A No.

18 Q Did you ever receive any reports of any
19 of the audits or any of their findings?

20 A No.

21 Q Do you know who did receive the audit
22 findings or those reports?

23 A No.

24 (Pause.)

25 BY MR. MINOR:

1 Xanthos

2 Q I believe when we were first talking
3 about Exhibit 9, going into Exhibit 10, my
4 recollection is that you said that sometimes
5 Citigroup may have updated information from Clayton
6 or Pentalpha that may be greater or more recent than
7 the trustee information.

8 Is that --

9 A No.

10 What I said was that if Pentalpha or
11 Clayton had access to the servicer, more of the
12 servicer data fields or servicer comments or updated
13 FICO scores or credit scores, appraisals, that's
14 what I was referring to.

15 Q How is that different than having greater
16 or more recent information than the trustee's
17 information?

18 A Well, again, the trustee information is
19 what we just talked about. It's by delinquency,
20 loans in REO, loans in foreclosure, loans in
21 bankruptcy.

22 I don't know if the trustee was also
23 receiving from the servicer, they could, I don't
24 know, additional data item -- data fields from the
25 servicer as I just described.

1 Xanthos

2 (Pause.)

3 BY MS. ELMADANY:

4 Q With that, Mr. Xanthos, the staff has no
5 further questions for you at this time.

6 As with every investigation, you remain
7 further -- subject to re-call for further
8 testimony.

9 I would anticipate that as our review
10 expands that is very possible in this area.

11 You have been very helpful today and we
12 appreciate that.

13 With that I would like to offer you or
14 your counsel the opportunity to ask questions or to
15 make a statement at this time if you wish.

16 MS. BUERGEL: We don't have anything at
17 this time.

18 MS. ELMADANY: With that we will go off
19 the record.

20 It is approximately 2:25 p.m.

21 Thank you very much.

22 THE WITNESS: Thank you.

23 (Time noted: 2:25 p.m.)

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EXAMINED BY

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James Xanthos

Ms. Elmadany

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FOR IDENTIFICATION

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4 STATE OF NEW YORK)

: ss.:

5 COUNTY OF NEW YORK)

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7 I, ALAN PUDDING, a Certified Shorthand

8 Reporter, a Registered Professional Reporter and

9 Notary Public of the State of New York, do hereby

10 certify:

11 That the within is a true and accurate

12 transcript of the proceedings taken before the

13 FINANCIAL INDUSTRY REGULATORY AUTHORITY on the

14 24th day of March 2009.

15 I further certify that I am not related

16 to any of the parties to this action by blood or

17 marriage and that I am in no way interested in the

18 outcome of this matter.

19 IN WITNESS WHEREOF, I have hereunto set

20 my hand this 10th day of April 2009.

21

22

23

24

25

ALAN PUDDING, CSR, RPR